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MORALE, WELFARE, AND RECREATION PROGRAMS

HEARING

BEFORE THE

SUBCOMMITTEE ON
MANPOWER AND PERSONNEL

OF THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

OCTOBER 9, 1987

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MORALE, WELFARE AND RECREATION PROGRAMS

FRIDAY, OCTOBER 9, 1987

U.S. Senate,
Committee on Armed Services,
Subcommittee on Manpower and Personnel,
Washington, DC.

The subcommittee met in open session, pursuant to notice, at 9:38 a.m. in room SR-232A, Russell Senate Office Building, Senator John Glenn, presiding.

Present: Senators Glenn, Exon, Wilson, Symms, and Stevens.

Staff present: Arnold L. Punaro, staff director, and Patrick A. Tucker, minority counsel; Robert E. Bayer, David S. Lyles and Frederick F.Y. Pang, professional staff members; and Debra A. Rice, staff assistant.

Also present: Philip B. Upschulte, assistant to Senator Glenn; Jeffrey B. Subko, assistant to Senator Exon; Terrence Lynch, assistant to Senator Shelby; William J. Wright, assistant to Senator Warner; Samuel J. Routson, assistant to Senator Symms; and Patrick A. Putignano, assistant to Senator McCain.

OPENING STATEMENT OF SENATOR JOHN GLENN, CHAIRMAN

Senator Glenn. The hearing will be in order. We had a vote out on the floor, so other members will be along shortly. I understand Senator Wilson is on the way. So that we make best use of our times, I will go ahead and get started. We do have a long series of witnesses today. We welcome all of you here.

At the suggestion of the chairman and ranking minority member of the Committee on Armed Services, the Subcommittee on Manpower and Personnel meets today to conduct an oversight hearing on the management and funding of the morale, welfare, and recreation, MRW funds as they are known, activities of the military services.

The subcommittee is interested in reviewing the background of the MWR program in the military and recent events leading to the provision in the fiscal year 1988 Defense Appropriations Act which terminated appropriated fund support for revenue-generating MWR activities in large metropolitan areas in the 50 States.

The MWR program of the military services provides a wide variety of support to our military personnel. This includes the active, reserve and retired personnel; their families and civilian employees of the Department of Defense.

MWR activities are found on practically every military installation, over 900 installations in the United States and over 360 installations overseas. These activities are varied to a great extent. Some of these activities include child development centers, gymnasiums, libraries, arts and craft centers, swimming pools; youth activities, bowling centers, military open messes, golf courses, marinas, skating rinks, Armed Services Exchange and related activities including package resale stores.

These activities are supported in two ways. They are supported by appropriated and by nonappropriated funds. Total program costs per year are around $4.1 billion. We are not talking small money here. Now, $1.3 billion of that is in appropriated funds, and $2.8 billion is in nonappropriated funds, nontaxpayer dollars, self-generated dollars.

So the bulk of it does come from nonappropriated funds. Even at that, $1.3 billion in appropriated funds is a very major expenditure.

MWR activities employ around 240,000 people: 7,000 military, 12,000 appropriated fund civilians, and 221,000 nonappropriated fund civilians.

I want to give a very brief thumbnail sketch of the MWR program because I believe a lot of people are not aware of its size, its scope, the number of people involved, the budgeting matters which are involved, and the size of the program in general.

Now, in terms of its value to the military community, I know from personal experience, having spent a career in the military, that the majority of these programs provide much needed services to a broad base of the military population. There is no doubt that MWR activities are a part of the fabric of military life, and they are a very important element of the compensation and benefits of our military personnel.

I guess this would be one of the fringe benefits, you might say, if we were doing this on a normal labor/management negotiation type scale, but they are a very real part of that package and mean a lot to people in the service. I do not think any of us question this. In fact, we all support having strong MWR programs for our military community.

I am not concerned about the need for these programs. That is a given. I am concerned about the management of them, how they are being conducted. It would certainly be unfortunate if the necessary appropriated funding to support MWR activities is denied or reduced because of the lack of management attention to these activities.

This is something which we must avoid. Those who depend on these MWR activities should not be made to pay for mistakes over which they have no control.

In order to help the subcommittee evaluate the state of MWR programs in the military services and to develop recommendations on the future course of the funding and management of these programs, we will hear today from two panels.

On the first panel, we have representatives from the Office of the Secretary of Defense and the military services who are responsible for MWR policy.

On the second panel, we have representatives from military units in the field who are responsible for the firsthand management of MWR programs on a daily basis.

Senator Wilson, our ranking minority member, is arriving here at the moment, and I am sure he will have a statement.

Senator WILSON. I will, Mr. Chairman, but I will not delay the hearing. I have some business out in the hall, so you go right ahead.

Senator GLENN. We will get your statement in a moment. This is a rather truncated operation today with votes on the floor and people going and coming from other meetings here. So please bear with us on that.

We will get Senator Wilson's comments a little later and others as they come in today.

The subcommittee welcomes our first panel of witnesses. Representing the Office of the Secretary of Defense, we have Lt. Gen. Anthony Lukeman, the Deputy Assistant Secretary of Defense for Military Manpower and Personnel Policy.

From the Army, we have Lt. Gen. Allen K. Ono, the Deputy Chief of Staff for Personnel.

From the Navy, we have Rear Adm. Leon A. Edney, the Chief of Naval Personnel.

From the Air Force, we have Lt. Gen. Thomas J. Hickey, the Deputy Chief of Staff for Personnel.

From the Marine Corps, we have Col. T.E. Angle, Director of Morale and Support Division, Headquarters, USMC.

All of our witnesses on this panel have submitted written statements for the record.

Gentlemen, we would appreciate your summarizing your statements, if you would. If you feel that the spirit moves you such that you have to give a whole statement, we will go along with you. We would appreciate your hitting the main points so we can spend most of our time in discussion and questioning.

In any event, your entire statements will be included in the record for the benefit of other Senators and other members of this committee who are unable to be here today.

So General Lukeman, we would ask you to start off, if you would, please, and we will move on to the others when you finish.

STATEMENT OF LT. GEN. ANTHONY LUKEMAN, USMC, DEPUTY ASSISTANT SECRETARY OF DEFENSE, MILITARY MANPOWER AND PERSONNEL POLICY

General LUKEMAN. Thank you very much, sir. The spirit certainly does not move me to read a long statement, but I do have a few points that I would like to make early on, starting with who I am and why I am sitting here instead of someone else.

Some would say that I am perhaps in a bureaucratic job, and I want to assure everybody here that I am doing my best not to become a bureaucrat. I am an infantry officer, and I have commanded six different organizations. I am also intensely interested in people and how to get good people and keep them. That is what my responsibilities are in the Department of Defense.

I would like to put the subject in context similar to the way you did, Mr. Chairman, because what is at stake here is retention and readiness, the people who are on the escort ships in the Persian Gulf and in the AWAC's and in the amphibious ready groups and the people forward-deployed in Europe and Korea, and the people in San Diego and Wright Patterson Air Base and all the other places, and about 4 million family members.

Senator GLENN. I have to be out for just a minute. I will be right back. Senator Exon will preside.

General LUKEMAN. A couple of weeks ago I had the privilege of talking to a group of very bright high school students, a group called the Young Statesmen. They had some great questions and were interested in everything.

One of the things that they were particularly interested in is what motivates military people to become soldiers, sailors, airmen and marines and to stay in the military services. They had the right ideas. They said the hours are terrible; there are long separations from family; the pay does not look good, and, obviously, there is risk.

The answer, of course, that I gave them was along the line of wearing the uniform and the sense of doing something worthwhile. It is unity and comradery and a good family life. This MWR business is part of that.

I would like to put it in the context of compensation, which right now is not everything that it should be. There have been five successive pay caps. There is a gap of about 9.5 percent over that same period of time between military and private sector pay increases.

There is a cap on the variable housing allowance. There is an offset for some people receiving variable housing allowance, so that it no longer covers the amount of housing cost it was designated for.

Permanent change of station reimbursement to individuals in many cases is also not fully reimbursed, so service members absorb a significant portion of the cost of their moves.

There is also a reduced retired pay expectation after the events of the recent years.

The stakes are not high in the MWR program simply because of dollars, although the dollars are enormous, as the chairman said: $1.3 billion in appropriated funds. They are also high in terms of the tremendous benefit that we receive. MWR is very efficient compensation. Military people like it and they react to it.

Senator Exon, with your approval, I would like to use a few charts to describe the MWR program. The charts help not only to describe the program but also to discuss the major effort that we have made within the past year to keep its strengths and reduce its weaknesses.

RECATEGORIZATION OF MWR ACTIVITIES

CATEGORY A - MISSION SUSTAINING ACTIVITIES
Armed Forces Professional Entertainment Program Overseas
Common Support Services
Gymnasium/Physical Fitness/Aquatic Training
Libraries
Parks and Picnic Areas
Recreation Centers/Rooms
Shipboard/Isolated/Deployed/Free Admission Motion Pictures
Sports/Athletics (Self Directed, Unit Level, Intramural)
Unit Level Programs and Activities
Temporary Lodging Facility (in Support of Official Travel)

CATEGORY B - BASIC COMMUNITY SUPPORT ACTIVITIES
Arts and Crafts Skill Development
Automotive Crafts Skill Development
Child Development Centers
Entertainment (Music and Theater)
Outdoor Recreation
Recreational Swimming Pools
Sports Programs (Above the Intramural Level)
Youth Activities
Stars and Stripes

CATEGORY C - ENHANCED COMMUNITY SUPPORT
Bowling Centers (12 Lanes or Less)
Joint Service Facility
Marinas without Resale or Private Boat Berthing
Military Open Messes/Clubs
Recreation Equipment Checkout
Recreational Information, Tickets and Tours Services
Temporary Lodging Facility

CATEGORY D - BUSINESS ACTIVITIES
Aero Clubs
Amusement Machine Locations and Centers
Animal Care Funds
Armed Services Exchange and Related Activities
Armed Forces Recreation Centers (Accommodation/Dining and Resale Facilities)
Audio/Photo and Other Resale Activities
Bingo
Bowling Centers (Over 12 Lanes)
Cabins/Cottages/Cabanas/Recreational Guest Houses
Catering
Civilian Dining, Vending, and Other Resale Activities and Services
Golf Course
Marinas and Boating Activities with Resale or Private Boat Berthing
Motion Pictures (Paid Admission Functions)
Motorcycle Clubs
Package Stores
Parachute/Sky Diving Clubs
Rod and Gun Clubs
Skating Rinks
Skeet/Trap Ranges
Snack Bars/Soda Fountain
Stables
Supplemental Mission Funds (In-Flight Services/Military Museums, etc.)
Unofficial Commercial Travel Services

There are some areas that I wish to point out. As the chairman suggested, MWR activities range from libraries to skydiving. They include some things you would expect and some things you might not expect. In the first category, gyms and workout rooms, for example. There is a tremendous increase in the use of this type of facility.

Senator EXON. General, that is very difficult for us to read.

General LUKEMAN. Could you move that up closer, Ed?

Senator EXON. You have no sheets of that that you could hand to us?

Senator GLENN. Move the tripod up here closer to us.

Senator EXON. We have a summary of this.

General LUKEMAN. We are sending up a couple of copies.

Senator GLENN. It is not that we are getting old, you understand.

Senator EXON. No, it is not that. It is the fact that your printing is getting too small.

VOICE. Small budgets.

Senator GLENN. Touché. That will be duly noted in the record.

General LUKEMAN. You see at the top there are things like gyms and workout areas and unit level sports programs. As I mentioned just a minute ago, there has been a tremendous increase in the participation in these programs. If you go into workout rooms around the military services today, they are full. They have good equipment: Nautilus equipment, and Universal gym sets and so forth. It is just one of the phenomena of the last two decades.

Now, you get down into other things like child development centers and other areas where there have been some immense changes in recent years in the demographics and these kind of activities; the Stars and Stripes newspapers; clubs and messes, which we will talk more about later; and the entire military exchange system which, of course, is the big revenue producer for this whole system of morale, welfare and recreation.

An interesting thing about the exchange system, of course, is that you have the Army and Air Force exchange system, one large combined system for two services, and then you have a Navy exchange system and a Marine Corps exchange system.

One thing that some people do not often think about when they think about morale, welfare and recreation is that, in a sense, it is a closed system where the customers come into the exchanges and spend their money and use that for a large part of their shopping. The profits from that system go into other morale, welfare and recreation activities, which, of course, then become benefits for the same people.

As you can see, the list contains and includes such things as golf courses and so forth.

It is big business, $8.5 billion in sales in this system during the last year. As the chairman mentioned, there are $4 billion plus in operating expenses, exclusive of cost of goods sold; $1.3 billion in appropriated fund support.

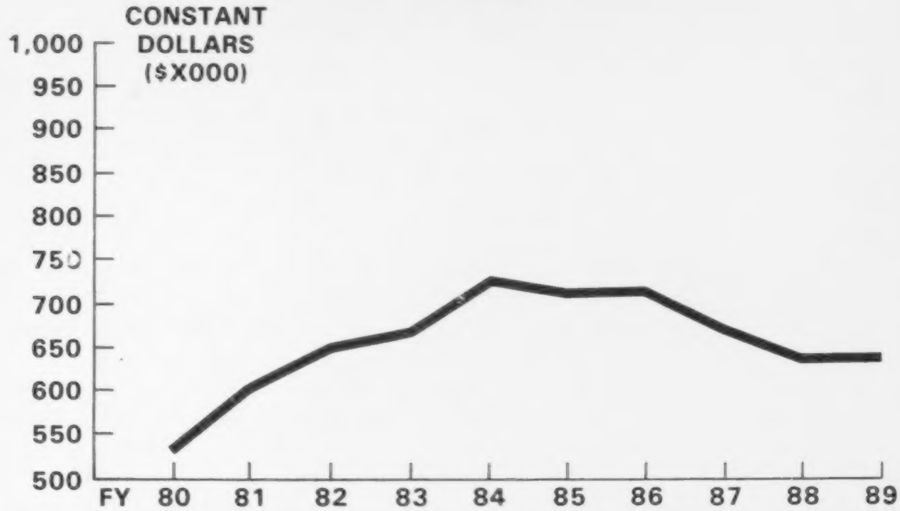
FY88 BUDGET (SERVICES' OP-34 REPORTS) ($ THOUSANDS)

	NAVY	MARINE CORPS	AIR FORCE	ARMY	TOTAL
MIL PERS	48,319	25,663	51,897	38,149	164,028
CIV PERS	24,460	7,875	81,640	154,479	268,454
TRAVEL & TRANS-PEOPLE	560	132	7,688	4,086	12,466
TRANS OF THINGS	12,341	734	80	78,942	92,097
RENTS & UTILITIES	62,511	4,823	50,339	56,088	173,761
COMMUNICATIONS	2,334	197	1,065	4,298	7,894
SUPPLIES	10,017	2,981	32,853	40,516	86,367
EQUIPMENT	8,568	635	10,969	6,910	27,082
CONSTRUCTION	7,010	–	(Not avail)	57,700	64,710
MIL RETIREMENT ACCRUAL	–	–	–	12,766	12,766
OTHER	67,546	5,704	158,984	121,962	354,196
TOTAL	243,666	48,744	395,515	575,896	1,263,821

I will come back to this chart later when I talk about what we have been up to over the last year.

I have a couple of charts on cost I would like to show now. I am going to pull the top cover off in a minute, but there is a big increase from 1980 to 1986. You can look at that increase several ways. We were starting, of course, from a very low point when resources for defense generally were depressed, and MWR was no exception.

DEPARTMENT OF DEFENSE
APPROPRIATED FUND SUPPORT
TO MWR PROGRAM



I want to apologize for the scale, Mr. Chairman. These are in constant dollars, and for some arcane reason the controller folks and economists like to put them in 1967 dollars. Please pay no attention to the number of dollars. They are far higher than that today, which I will show in another chart, but the slope of the line is correct in constant dollars.

In any event, we did start from a low point in 1980, along with the rest of defense spending.

The slope also recognizes the value of spending for MWR in peacetime. In war, there is motivation enough in doing what we are trained for and, up to a point, who cares about benefits. In peacetime, however, people compare. They compare what they are doing as military people with what they might be doing as civilians.

I would like to digress for a moment. The people that come in the military today as the chairman and Senator Exon well know, are very bright and well educated. They have numerous alternatives.

I had the privilege of spending 2 years in San Diego recently. Why would a military person want to leave San Diego? He can get better pay. He can get better stability. Maybe it is America's finest city, although I am sure there are plenty of cities in other States that would argue that.

Senator GLENN. Will you repeat that when Senator Wilson gets back in here?

General LUKEMAN. I will, indeed, sir.

Now we start getting concerned with the overall levels, as they get up there to about $1.3 billion.

You have to ask the question, can we afford to keep increasing? Can we improve our management? The answers are no, we cannot afford to keep increasing, and, yes, we can improve our management.

You can see here how it has leveled off in real terms in recent years. You can see at the end there as we extend it out into 1988 and 1989 where we want to go.

I will talk a little about how we intend to do that, and I will refer back to the categorization chart that I used earlier.

Senator GLENN. Do you have a chart that also shows total expenditures, including appropriated and nonappropriated? The total amount being spent on MWR has not gone down during that period, I presume?

General LUKEMAN. That is correct, sir. In current dollars, it goes down in 1988 but it continued to go up through 1987.

I do have a chart that shows the appropriated fund increases.

Senator GLENN. Just for future reference on the charts over here, I am not critical of these, but the Pentagon does this type of thing all the time. You are not an exception. This idea of coming over and presenting things in 1967 dollars and 1980 dollars and all that kind of stuff gives us a completely fictitious view of what is going on.

We have to vote the real dollars now. We do not vote them in 1967 dollars, unfortunately. I have a one-man crusade against this budgeting way in which they present the figures to us over here for F–15s and F–18s and MWR and everything else.

I think it ought to be presented in current figures and, if need be, then put the correction factor on the past figures to bring them up. Then our charts mean something. We have to vote in real dollars now.

General LUKEMAN. I understand, sir, and to help out I will ask Captain Sullivan to take that chart down and put a real dollar chart up.

I am sure the chairman is aware that the point I wish to make was that expenses have flattened out in terms of constant dollars.

The first thing we did, looking to the chart on the left, sir, and the information that the Senator has in front of him, is that we categorized MWR activities in terms of the essentiality of the function on the one hand and its capability to produce revenue on the other hand. [See chart No. 1 on p. 5.]

Our general approach was if it is essential, pay for it entirely out of appropriated funds. If it is not essential and if it has the capability of sustaining itself through revenues, pay for it entirely out of nonappropriated funds. If it is somewhere in between, treat it accordingly.

You can eyeball this chart, sir, by kind of going from top to bottom on the lefthand side as to the mission essential elements, getting down to the mid-type elements on the lefthand side. On the righthand side are those activities that we believe should be self-sustaining.

After we arrayed them into these four categories, we proposed to control the costs in each of these four categories by specifically authorizing or not authorizing appropriated fund support for specific purposes. For example, this chart shows that military personnel may or may not be authorized in each one of those categories; civilian personnel; supplies; equipment; maintenance and so forth and also treated in a similar fashion.

Each one of these is treated differentially so that more or less appropriated funds might be used to support them.

Then we further made allowances for the difference between overseas posts and stations and those in the continental United States.

Then to add an additional incentive to improve overall management, we said we are going to reverse the increase, and we are going to cap expenses no higher than the fiscal year 1987 level in real terms. Our 1988 proposal, in fact, is below the 1987 level.

This last fact, this capping in real terms at the 1987 level, in my judgment is a remarkable, if not an astonishing, action. I assure you, it was not easy to get the consensus that we felt we had to have within the Department of Defense in order to do this.

All of us here, the Secretaries of the Departments and the Chiefs of the services, are on board in this action.

I think in this respect we and Congress think much alike. Now we need your support to make it work. What I am concerned about is that Congress will simply say nice job then cut another $50 million or whatever. What we need is support that says, great, no increase in real terms. That is responsible and will force continued improvement in management.

Senator GLENN. Let me make certain I understand. This is not the way we are broken down and operating right now. This is what you are proposing to go to. This is the study you have done, and this is what you are proposing to do; is that correct?

General LUKEMAN. That is correct, sir.

I want to mention several areas where we need some help.

Metropolitan areas.
Franchising.
Clubs.
Restrictive practices.
Accounting.

The first concerns metropolitan areas and has to do with a provision in the fiscal year 1988 Appropriations Act that prohibits us from using appropriated fund support for revenue-generating activities in the metropolitan areas of the United States. It is not consistent with our plans to achieve our goals that I just described for the MWR program.

I use the example of the Navy family in San Diego. We want to keep that family, and the MWR program helps us do it. They are in an urban area. They are living off base in a civilian community. It is relatively high cost. The individual is making maybe $20,000 a year, and he has a good marketable skill in a place where a lot of private sector companies can use that skill.

One reason he is staying in is because he can check out a camping trailer at a good price at his local MWR activity, and he can take off with his family for the weekend to the San Bernadino mountains. Or he can go over to the auto hobby shop and for $1 an hour install $140 worth of parts to repair his car instead of about $400 or $500 which he would have to pay if he had it repaired on the civilian economy, and he is in a metropolitan area.

Is it worth some appropriated fund support? We say yes. A much more minor matter but important to those whom it affects is that in some metro areas, the distances and the transportation systems and the high crime areas and other conditions just make it wrong to assume that these sorts of activities are readily available to military people simply because the base is in a metropolitan area.

So we ask your support to repeal that provision.

The second point is franchising. All of us troops love fast food, and we are conditioned to the speed, and the quality and high standards, and the brand name recognition that come with McDonald's or Burger King and all the rest. Hamburgers, good hamburgers, are a terrific way to help pay people.

It kind of reminds me of the old Popeye cartoons where Wimpy says to Popeye, "Could I have a quarter for a hamburger, and I will pay you next Tuesday," and Popeye always gave him the quarter. Popeye knew what he was doing.

The problem is that we have not been able to get consistent support from Congress for new franchises, but we need that support. It is the most outstanding and productive form of cooperation between the military services and the private sector.

Next, we need your support for clubs. Some in Congress may believe that they need no appropriated fund support, but they do for six good reasons.

The first is that the club system has limited patronage. It is not open to the general public, and in that respect it cannot compete with the restaurants in town.

The second is that the clubs are used for other purposes. Because they are an important place for nonclub activities, they deserve the support just like the other facilities. Prayer breakfasts, conferences and so forth frequently are held in clubs.

The third is that they are a backup for the base messing facilities in time of mobilization. We just do not have enough mess halls to feed the population, and we can handle overflow in the clubs.

The fourth is that the clubs provide a rotation base for food services personnel who are working overseas and need a place to work when they come back to the States.

The fifth is we do not want to go to the standard private sector practice of promoting alcohol to make money in a restaurant, so that limits our flexibility to make a profit the same way a private sector outfit does.

The sixth is, of course, the institutional values of having this kind of a system, which are intangible but real.

What we are proposing in our report is to reduce appropriated funds to clubs by about 20 percent, but we do need that remaining support.

The next entry on the chart, restrictive practices, is one that we have to take a look at before we come to you for some help. There are a number of laws that keep us from maximizing profit in these profitmaking organizations, and we have to take a look at those. If there are any reasonable laws or restrictions that we think need to be changed, then we will have to come back to you and recommend that.

Accounting: We are not satisfied particularly with the current costfinding techniques; that is, the way that costs are determined in this particular area. We need better systems for determining appropriated fund support for MWR programs.

This is not a separate budget item, and it is not a separate line item. So we allocate costs to it. In some cases it is an estimate, and in some cases it is metered or measured. There is a mix of that, and there is also a mix of the appropriated fund support and nonappropriated funds, which sometimes leads base commanders, for example, to false conclusions on the profitability of the system.

It needs work. The OSD comptroller and the Air Force, in particular, are looking very hard at this with a view at making some real progress.

Sir, I think I have run out of major points and taken up too much of my colleagues' time.

We often hear that Congress wants OSD to take an appropriate oversight role, and I thought it was necessary to go to some length about what we have been doing over the past year.

Thank you very much.

[The prepared statement of General Lukeman follows:]

STATEMENT
OF THE
DEPUTY ASSISTANT SECRETARY OF DEFENSE
FOR
MILITARY MANPOWER AND PERSONNEL POLICY
LIEUTENANT GENERAL ANTHONY LUKEMAN, USMC

MR. CHAIRMAN, THE DEPARTMENT OF DEFENSE (DOD) WELCOMES THESE HEARINGS, WHICH SIGNIFY THE INTEREST AND CONCERN OF THIS COMMITTEE WITH THE QUALITY OF COMMUNITY SUPPORT PROVIDED BY THE DEPARTMENT TO ITS PERSONNEL AROUND THE WORLD.

SINCE THIS IS THE FIRST OPPORTUNITY WE HAVE HAD TO PRESENT INFORMATION ABOUT THE DOD MORALE, WELFARE, AND RECREATION (MWR) PROGRAM TO THIS COMMITTEE IN FORMAL HEARINGS FOR SEVERAL YEARS, WITH YOUR PERMISSION, I WILL TAKE A FEW MOMENTS TO BRIEFLY OUTLINE THE SCOPE OF THE MWR PROGRAM, ITS OBJECTIVES, AND SOME OF THE CHALLENGES WE FACE IN MAINTAINING OR IMPROVING THE QUALITY OF SERVICES IN THE FUTURE.

THE DEPARTMENT OF DEFENSE MWR PROGRAM PROVIDES A VARIETY OF GOODS, SERVICES, AND ACTIVITIES DESIGNED TO HELP MAKE MILITARY SERVICE REWARDING. ITS VARIOUS ACTIVITIES FUNCTION AS INTEGRAL PARTS OF THE MILITARY COMPENSATION SYSTEM, THE MILITARY FAMILY SERVICES PROGRAM AND THE QUALITY OF LIFE PROGRAM. IT ALSO HAS THE EXPRESSED OBJECTIVE OF ENHANCING THE PHYSICAL, PSYCHOLOGICAL, AND SOCIAL WELL-BEING OF MILITARY MEMBERS SO THAT THEY MAY MORE EFFECTIVELY PERFORM THEIR MILITARY DUTIES.

THE VARIETY OF MWR ACTIVITIES COVER A WIDE RANGE OF COMPENSATION, FITNESS, FAMILY SERVICE, COMMUNITY SUPPORT, RECREATIONAL, AND SOCIAL PROGRAMS RELATED TO ORGANIZATIONAL EFFECTIVENESS AND PROVIDING A QUALITY WORKING AND LIVING

ENVIRONMENT THAT WILL ATTRACT AND RETAIN QUALITY PEOPLE. ACTIVITIES RANGE FROM THOSE THAT ARE CONSIDERED ESSENTIAL TO ACCOMPLISHING THE MILITARY MISSION TO THOSE THAT ARE DESIRABLE IN TERMS OF MAKING AVAILABLE TO INDIVIDUAL MILITARY MEMBERS THE SAME ACTIVITIES AND SERVICES THAT THEY WOULD FIND IN CIVILIAN LIFE. ONE GENERALIZATION CONCERNING THIS RANGE OF ACTIVITIES IS THAT, CHARACTERISTICALLY, THE CAPABILITY TO GENERATE REVENUE IS INVERSELY RELATED TO THE DEGREE OF MISSION ESSENTIALITY.

WHILE OUR MWR PROGRAMS ARE FOCUSED ON SUPPORT FOR OUR ACTIVE DUTY FORCE AND THEIR FAMILIES ON SOME 900 MILITARY INSTALLATIONS IN THE UNITED STATES, AND 350 LOCATIONS OVERSEAS, TOTAL PARTICIPATION AND PATRONAGE EXTENDS TO APPROXIMATELY 10 MILLION PERSONS. THESE INCLUDE DOD AND OTHER FEDERAL GOVERNMENT CIVILIAN EMPLOYEES OVERSEAS, MEMBERS OF RESERVE COMPONENTS, RETIREES, SURVIVING SPOUSES AND OTHER FAMILY MEMBERS OF PERSONS KILLED WHILE ON ACTIVE DUTY, VETERANS WITH 100 PERCENT SERVICE-CONNECTED DISABILITIES, AND OTHER SMALLER GROUPS OF ELIGIBLES.

MWR PROGRAMS RECEIVE SUPPORT FROM TWO SOURCES: (1) NONAPPROPRIATED FUNDS (NAF) GENERATED PRINCIPALLY BY SALES, FEES, AND CHARGES TO AUTHORIZED PATRONS AND PARTICIPANTS, AND (2) "IN-KIND" APPROPRIATED FUND (APF) SUPPORT PRIMARILY PROVIDED BY MILITARY PERSONNEL, OPERATIONS AND MAINTENANCE, AND MILITARY CONSTRUCTION APPROPRIATIONS.

NEARLY A QUARTER OF A MILLION PEOPLE OPERATE MWR ACTIVITIES, INCLUDING APPROXIMATELY 6,800 MILITARY PERSONNEL, 12,000 DOD FEDERAL CIVIL SERVICE EMPLOYEES, AND 220,000 NONAPPROPRIATED FUNDED (NAF) CIVILIAN EMPLOYEES. SALES APPROXIMATE $8 1/2 BILLION. TOTAL OPERATING EXPENSES, EXCLUSIVE OF COST OF GOODS SOLD, WERE APPROXIMATELY $4.3 BILLION IN FISCAL

YEAR 1986. OF THIS AMOUNT, $1.32 BILLION -- OR ABOUT 30 PERCENT -- WAS PROVIDED BY APPROPRIATIONS. SINCE APPROPRIATED FUND SUPPORT TO MWR ACTIVITIES IS NOT IDENTIFIED BY LINE ITEM IN THE APPROPRIATIONS, THE $1.32 BILLION REPRESENTS OUR BEST ESTIMATE OF DIRECT SUPPORT OBLIGATIONS AND EXPENDITURES. FURTHER, IN ORDER TO FULLY DISCLOSE COSTS OF THIS PROGRAM, INDIRECT AND OVERHEAD SUPPORT FOR SUCH SERVICES AS FIRE PROTECTION, SAFETY, LEGAL, MEDICAL, POSTAL, AND COMMUNICATIONS IS ESTIMATED BY GENERALLY ACCEPTED METHODS.

MR. CHAIRMAN, WE BELIEVE WE HAVE MADE SIGNIFICANT GAINS IN THE PAST TEN YEARS IN IMPROVING MWR PROGRAMS TO MEET THE FOLLOWING OBJECTIVES:

- PROMOTE AND MAINTAIN THE MENTAL AND PHYSICAL WELL-BEING OF DOD PERSONNEL.

- PROVIDE EXCHANGE SERVICES AT THE LOWEST PRACTICAL PRICES AS AN ELEMENT OF THE MILITARY PAY AND BENEFITS SYSTEM.

- FOSTER A SENSE OF COMMUNITY WITHIN THE SERVICES AND PROMOTE ESPRIT DE CORPS AMONG INDIVIDUAL UNITS.

- PROVIDE SUPPORT SERVICES COMMONLY FURNISHED TO OTHER SEGMENTS OF THE POPULATION BY EMPLOYERS OR BY STATE AND LOCAL GOVERNMENTS.

- MAINTAIN A QUALITY WORKING AND LIVING ENVIRONMENT SO THAT INDIVIDUALS WILL BE EAGER TO ENTER AND RELUCTANT TO LEAVE THE MILITARY SERVICE.

- PROVIDE POSITIVE ALTERNATIVES TO LESS WHOLESOME BEHAVIOR.

- ASSIST IN THE TRANSITION OF NEW MEMBERS INTO THE MILITARY.

- PERPETUATE MILITARY TRADITIONS AND INSTITUTIONAL VALUES.

INCREASES IN APPROPRIATED FUND SUPPORT IN RECENT YEARS HAVE LED TO A COMPLETE REVIEW BY THE DEPARTMENT OF DEFENSE OF THE MWR PROGRAM, WITH THE OBJECTIVE OF INSTITUTING SUCH MANAGEMENT IMPROVEMENTS AS MAY BE NECESSARY TO REVERSE THAT TREND. IN AUGUST OF THIS YEAR WE PROVIDED A COMPREHENSIVE REPORT TO CONGRESS SHOWING ACTIONS THAT CAN BE TAKEN TO ENSURE THAT APPROPRIATED FUND SUPPORT FOR MWR OPERATIONS WILL NOT EXCEED THE (CONSTANT DOLLAR) SUPPORT PROVIDED IN FISCAL YEAR 1987. IN THIS REPORT, WE HAVE ARRAYED MWR ACTIVITIES IN FOUR CATEGORIES, WITH THE PRIMARY CRITERIA IN DEVELOPING THAT ARRAY BEING MISSION ESSENTIALITY AND ABILITY TO GENERATE REVENUE. A FUNDING POLICY SUPPORTS THE FOUR CATEGORIES DIFFERENTIALLY TO MEET THE OBJECTIVES OF THE MWR PROGRAM AND RESPOND TO THE CONCERNS OF THE CONGRESS.

THE FIRST CATEGORY CONTAINS THOSE ACTIVITIES CONSIDERED MOST ESSENTIAL IN MEETING THE ORGANIZATIONAL OBJECTIVES OF THE MILITARY SERVICES. THE ACTIVITIES WILL BE SUPPORTED ALMOST ENTIRELY WITH APPROPRIATED FUNDS, WITH THE USE OF NONAPPROPRIATED FUNDS LIMITED TO SPECIFIC INSTANCES WHERE APPROPRIATED FUNDS ARE PROHIBITED BY LAW OR WHERE THE USE OF NONAPPROPRIATED FUNDS IS ESSENTIAL FOR THE OPERATION OF A FACILITY OR PROGRAM. ACTIVITIES IN THIS CATEGORY HAVE VIRTUALLY NO CAPACITY FOR THE GENERATION OF NONAPPROPRIATED REVENUES.

THE CATEGORY IS DESIGNATED CATEGORY A. MISSION SUSTAINING. ACTIVITIES WITHIN THIS CATEGORY PROMOTE THE PHYSICAL AND MENTAL

WELL-BEING OF THE MILITARY MEMBER, A REQUIREMENT THAT SUPPORTS ACCOMPLISHMENT OF THE BASIC MILITARY MISSION. SOME OF THESE MISSION SUSTAINING ACTIVITIES AND PROGRAMS ARE LIBRARIES, PHYSICAL FITNESS FACILITIES AND UNIT LEVEL SPORTS.

THE SECOND CATEGORY CONTAINS ACTIVITIES CLOSELY RELATED, IN TERMS OF SUPPORTING THE MILITARY MISSION, TO THOSE GROUPED IN CATEGORY A. THEY SATISFY THE BASIC PHYSIOLOGICAL AND PSYCHOLOGICAL NEEDS OF SERVICE MEMBERS AND FAMILIES, PROVIDING, TO THE EXTENT POSSIBLE, THE COMMUNITY SUPPORT SYSTEMS THAT MAKE MILITARY BASES TEMPORARY HOME TOWNS FOR A MOBILE MILITARY POPULATION. THESE SUPPORT ACTIVITIES SHOULD RECEIVE A SUBSTANTIAL AMOUNT OF APPROPRIATED FUND SUPPORT, BUT DIFFER FROM THOSE IN CATEGORY A, IN PART, BECAUSE OF THEIR ABILITY TO GENERATE NONAPPROPRIATED FUND REVENUES. THAT ABILITY TO GENERATE REVENUES IS LIMITED, HOWEVER, AND IN NO CASE COULD THEY BE SUSTAINED WITHOUT SUBSTANTIAL APPROPRIATED FUND SUPPORT.

THIS SECOND CATEGORY IS DESIGNATED CATEGORY B. BASIC COMMUNITY SUPPORT ACTIVITIES. SOME OF THESE COMMUNITY SUPPORT ACTIVITIES ARE ARTS AND CRAFTS SKILL DEVELOPMENT, OUTDOOR RECREATION, YOUTH ACTIVITIES AND AUTOMOTIVE CRAFTS SKILL DEVELOPMENT, AND CHILD DEVELOPMENT CENTERS.

THE THIRD CATEGORY REPRESENTS A MARKED CROSSOVER POINT BETWEEN THE TWO CRITERIA OF MISSION ESSENTIALITY AND CAPABILITY OF NONAPPROPRIATED REVENUE GENERATION. ACTIVITIES IN THIS GROUP HAVE THE BUSINESS CAPABILITY OF GENERATING ENOUGH INCOME TO COVER THE MAJORITY OF OPERATING EXPENSES, BUT THEY LACK THE ABILITY TO SUSTAIN THEMSELVES BASED PURELY ON THEIR BUSINESS ACTIVITY; CONSEQUENTLY, THEY RECEIVE LIMITED APPROPRIATED FUND SUPRORT. ADDITIONALLY, THESE ACTIVITIES CONTRIBUTE TO THE MILITARY MISSION BY FOSTERING A SENSE OF COMMUNITY SPIRIT AND

PROVIDING ALTERNATIVES TO LESS WHOLESOME OFF DUTY PURSUITS.

THE CATEGORY IS DESIGNATED CATEGORY C. ENHANCED COMMUNITY SUPPORT. SOME OF THESE COMMUNITY SUPPORT ACTIVITIES ARE RECREATIONAL EQUIPMENT RENTAL/CHECKOUT, RECREATIONAL INFORMATION, TICKETS AND TOURS SERVICE, MILITARY OPEN MESSES/CLUBS, AND TEMPORARY LODGING FACILITIES.

THE FOURTH CATEGORY CONTAINS ACTIVITIES CONSIDERED LESS ESSENTIAL FROM THE PERSPECTIVE OF THE MILITARY MISSION, BUT STILL HIGHLY DESIRABLE AS A MEANS OF PROVIDING RECREATIONAL ACTIVITY, WITH THE ATTENDANT MORALE BENEFIT. THIS CATEGORY ALSO INCLUDES THE EXCHANGE BENEFIT, WHICH HAS HIGH MISSION ESSENTIALITY, BUT WHICH IS INCLUDED IN THIS CATEGORY BECAUSE OF ITS ADDITIONAL ABILITY TO GENERATE REVENUES TO SUPPORT OTHER MWR ACTIVITIES. ACTIVITIES IN THIS CATEGORY ALSO HAVE THE HIGHEST CAPABILITY OF GENERATING REVENUES. THESE ACTIVITIES RECEIVE VERY LIMITED DIRECT APPROPRIATED FUND SUPPORT, BUT DO RECEIVE INDIRECT SUPPORT SUCH AS COMMON SERVICES FOR ALL INSTALLATION ACTIVITIES; E.G., FIRE AND POLICE PROTECTION, PEST CONTROL AND MEDICAL AND VETERINARY SERVICES. THE PRIMARY DISTINGUISHING CHARACTERISTIC OF THESE ACTIVITIES IS THAT THEY ARE COMPARABLE TO SELF-SUSTAINING BUSINESSES CAPABLE OF FUNDING MOST EXPENSES.

THE CATEGORY IS DESIGNATED CATEGORY D. BUSINESS ACTIVITIES. SOME OF THESE BUSINESS ACTIVITIES ARE AERO CLUBS, BOWLING LANES (OVER 12 LANES), CLASS VI STORES (PACKAGE STORES), GOLF COURSES, MARINAS AND BOATING ACTIVITIES WITH RESALE OR PRIVATE BOAT BERTHING, CABINS, COTTAGES, GUEST HOUSES AND MILITARY EXCHANGES.

IN HIS LETTER TRANSMITTING THIS REPORT TO THE CONGRESS, DR. DAVID J. ARMOR, THE ACTING ASSISTANT SECRETARY OF DEFENSE FOR FORCE MANAGEMENT AND PERSONNEL, STATED THAT SPECIFIC

RESTRICTIONS ON APPROPRIATED FUND SUPPORT, BY CATEGORY OF ACTIVITY, WILL PERMIT THE DEPARTMENT TO CONTINUE ESSENTIAL MWR ACTIVITIES BUT WILL ALSO REVERSE THE TREND OF INCREASING APPROPRIATED FUND SUPPORT. HE ADDED THAT THE DEPARTMENT WILL DIRECT THE SERVICES TO CAP SUPPORT AT THE FISCAL YEAR 1987 LEVEL, ADJUSTED FOR INFLATION AND MAJOR FORCE STRUCTURE CHANGES.

THE MILITARY SERVICES ALREADY ARE MAKING IMPROVEMENTS THAT WILL PERMIT THEM TO MEET THE NEW OBJECTIVES.

THE MARINE CORPS IS IN THE PROCESS OF CONSOLIDATING ITS EXCHANGE SERVICE AND RECREATION/CLUB STAFFS AT INSTALLATIONS AND AT HEADQUARTERS. THIS BOLD ORGANIZATIONAL STEP WILL INTEGRATE ALL PRODUCT SALES, SERVICES, MERCHANDISING, FOOD AND HOSPITALITY SERVICES AND RECREATION OPERATIONS. COMMON SUPPORT SERVICES, SUCH AS FINANCE, PERSONNEL, MARKETING, AND COMPUTER SUPPORT WILL BE PROVIDED TO THE OPERATING UNITS.

THE NAVY HAS REALIGNED ITS PACKAGE STORE OPERATIONS UNDER MILITARY EXCHANGES, ALONG WITH CONTRACTING FUNCTIONS FOR PAY TELEPHONES, AND IS LOOKING FOR OTHER OPPORTUNITIES THAT MIGHT BE EFFICIENT IN INTEGRATING REVENUE GENERATING ACTIVITIES WITH THE NAVY EXCHANGE SERVICE.

THE ARMY HAS FULLY IMPLEMENTED THE SINGLE FUND CONCEPT, AN MWR STANDARD ORGANIZATION, CENTRAL INVESTMENT AND BANKING, PROCUREMENT EFFICIENCIES, THIRD-PARTY FINANCING, AND JOINT FOOD AND PAY PHONE AGREEMENTS WITH ITS EXCHANGE SERVICE. IN ADDITION, THE ARMY IS CONSIDERING ORGANIZATIONAL ALTERNATIVES, ONE OF WHICH IS SIMILAR TO THE NAVY APPROACH AND THE OTHER TO INTEGRATE REVENUE GENERATOR ACTIVITIES UNDER A "BUSINESS COMMAND."

THE AIR FORCE HAS BEEN USING A STANDARD MWR ORGANIZATION AND CENTRAL BANKING AND INVESTMENT PROGRAM FOR YEARS. IT HAS ALSO WORKED JOINT FAST-FOOD AND PAY PHONE ARRANGEMENTS WITH THE EXCHANGE SERVICE AND HAS JUST COMPLETED AN EXTENSIVE FOUR MONTH STUDY, DEVELOPING 48 INITIATIVES FOR IMPROVED MANAGEMENT OF MWR. MAJOR CHANGES INCLUDE STREAMLINING OF ACCOUNTING SUPPORT, DEVELOPMENT OF AN AUTOMATED MANAGEMENT INFORMATION SYSTEM, AND CENTRALIZED PROCUREMENT OF SOME GOODS AND SERVICES.

WHILE THERE ARE MANY ELEMENTS OF THE MWR PROGRAM THAT MIGHT WARRANT PARTICULAR ATTENTION, I WOULD LIKE TO ADDRESS MYSELF TO JUST FOUR AT THIS TIME. EACH IS AN AREA WHERE THE MWR PROGRAM HAS UNIQUE IMPORTANCE IN SUPPORTING THE MILITARY MISSION, AND EACH HAS BEEN THE SUBJECT OF PARTICULAR INTEREST BY CONGRESS, THE DEPARTMENT OF DEFENSE, AND INDIVIDUALS WHO DEPEND ON THE MWR PROGRAM AS ESSENTIAL TO THEIR QUALITY OF LIFE.

CHILD CARE

THE DEPARTMENT DESIRES TO CONTINUE TO IMPROVE SUPPORT OF OUR MILITARY FAMILIES BY PROVIDING MORE AND BETTER QUALITY CHILD CARE AND YOUTH ACTIVITIES. FIFTY-FOUR PERCENT OF OUR CAREER, ACTIVE DUTY FORCE ARE MARRIED. MILITARY FAMILIES SHARE IN THE NATIONWIDE TREND TOWARD TWO-INCOME FAMILIES. FORTY-FOUR PERCENT OF MILITARY SPOUSES ARE EMPLOYED OUTSIDE THE HOME, CONTRIBUTING ROUGHLY TWENTY PERCENT OF FAMILY INCOME. THE DIFFERENCES BETWEEN MILITARY FAMILIES AND THEIR CIVILIAN COUNTERPARTS, HOWEVER, ARE SIGNIFICANT:

- UNIT AND SHIP DEPLOYMENTS AND TEMPORARY DUTY ASSIGNMENT RESULT IN A LARGE POPULATION OF "GEOGRAPHICALLY" SINGLE PARENTS.

- A HIGH PROPORTION OF FAMILIES IN THE MILITARY SERVICES ARE YOUNG PEOPLE, SO A HIGHER PROPORTION OF CHILDREN IN THE MILITARY SERVICES, AS COMPARED WITH THE PRIVATE SECTOR, ARE YOUNG CHILDREN OF THE AGE WHERE CHILD CARE AND CHILD DEVELOPMENT ARE IMPORTANT.

- RELATIVELY FREQUENT MOVES RESULT IN SITUATIONS THAT MAKE CHILD CARE MORE THAN ORDINARILY DESIRABLE.

  -- NEW CHILD CARE SERVICES MUST BE LOCATED AT EACH NEW LOCATION.

  -- COSTS OF MOVING ARE NOT FULLY REIMBURSED BY THE GOVERNMENT, ADDING TO THE IMMEDIATE NEED FOR THE SPOUSE TO FIND EMPLOYMENT AND THE ACCOMPANYING NEED FOR CHILD CARE FOR THE RELOCATING FAMILY.

- INCREASED PROPORTION OF WOMEN IN THE SERVICES RESULTS IN MARRIAGES IN WHICH BOTH PARENTS ARE SERVICE MEMBERS, MAKING CHILD CARE FACILITIES ESSENTIAL.

- SINGLE PARENTS ARE A FACT. GRANDPARENTS OR OTHER RELATIVES ARE LESS LIKELY TO BE LOCATED NEAR THE MILITARY MEMBER. CHILD CARE IS THE NECESSARY ALTERNATIVE.

- AT SOME SITES, NO OFF-BASE CENTERS ARE AVAILABLE. IN MANY LOCATIONS, THOSE THAT ARE DO NOT PROVIDE PARTICULAR SERVICES THAT MILITARY FAMILIES NEED: INFANT CARE, CARE DURING EVENING HOURS, WEEKEND CARE AND CARE DURING THE FULL EXTENT OF ALERTS AND TRAINING EXERCISES. WHEN EXTENDED SERVICES ARE AVAILABLE, THEIR COST IS COMMENSURATELY HIGH.

WHILE THE MILITARY SERVICES HAVE MADE GREAT PROGRESS IN PROVIDING CHILD CARE, LONG WAITING LISTS ARE THE RULE AT MOST MILITARY INSTALLATIONS. CONSTRUCTION OF NEW FACILITIES HAS NOT KEPT UP WITH DEMAND, NOR IS IT EXPECTED TO. THE SERVICES ALL HAVE INITIATIVES TO REDUCE THE INCREASING BACKLOG AND MEET SPECIAL NEEDS THROUGH CHILD CARE IN FAMILY HOUSING UNITS. SINCE NO NONAPPROPRIATED FUNDS ARE INVOLVED IN THOSE CIRCUMSTANCES (THE PAYMENT IS DIRECT FROM THE MILITARY MEMBER TO THE CAREGIVER, WITH NO NONAPPROPRIATED FUND INSTRUMENTALITY INVOLVED) IT IS CONSIDERED ESSENTIAL THAT APPROPRIATED FUNDS BE USED TO HIRE FAMILY HOME CARE MONITORS TO ENSURE CHILD SAFETY AND QUALITY CARE, AND TO GUARD AGAINST POTENTIAL GOVERNMENT LIABILITY.

THE RECOMMENDATIONS IN THE DOD REPORT OF AUGUST 1987 INCLUDE PARTICULAR ATTENTION TO THIS CRITICAL ELEMENT OF MWR.

MILITARY CLUBS

UNITY IS AN EXTRAORDINARILY SIGNIFICANT ELEMENT IN THE EFFECTIVENESS OF MILITARY ORGANIZATIONS. IT HAS BEEN ACHIEVED HISTORICALLY BY GOOD LEADERS, A SENSE OF RESPONSIBILITY TOWARD FELLOW MEMBERS OF ONE'S UNIT, AND BY SUCH BROADER INFLUENCES AS PATRIOTISM, DEDICATION TO IDEALS AND A DESIRE TO SERVE.

AS THE FRAMEWORK OF MILITARY OPERATIONS BECAME FORMALIZED WITH THE EMERGENCE OF MODERN MILITARY FORCES, OTHER ELEMENTS GREW TO SUPPORT AND FOSTER THIS UNITY AND COHESIVENESS. THE MESSES OF CERTAIN OF THE EUROPEAN REGIMENTS, USUALLY CLOSED TO MEMBERSHIP OUTSIDE THE UNIT, REPRESENTED ONE SUCH ELEMENT. CLOSENESS ENGENDERED BY SOCIALIZING AND DINING AS A UNIT HELPED TO KNIT THE UNIT TOGETHER.

The U.S. military Services modeled their messes after the European system, but over the years closed messes have given way to the open messes, which serve a somewhat different purpose: helping to bind the entire military community by extending the availability of the mess to families and civilian employees.

Some appropriated fund support for military clubs exists in each of the military Services, but the amount and the application of that support has varied over time, among the Services, and among different installations within the same Service. In FY86, the overall support within the Department of Defense was approximately 25 percent of available funding resources for military clubs.

Because membership in military clubs promotes institutional values, the patron base for each part of the club system is limited. Officers' messes are established exclusive of enlisted members and, where warranted, noncommissioned officer clubs are separate from clubs for other members of the enlisted force. This separation meets the military need for appropriate order and discipline, where on-base social contact is not permitted to blur the overriding need for a chain of command and clear authority.

Because the patron base for each part of the club system is limited, the ability of military clubs to generate profits in the same way that similar private sector activities generate profits is severely restricted. To attempt to offset this disadvantage (limited patronage), many club systems charge dues, command-sponsored functions are often held in the clubs to increase patronage and income, and other unique income-producing techniques are emphasized.

THE CLUB SYSTEM ALSO PROVIDES A BACKUP TO BASE DINING FACILITIES BOTH IN PEACETIME AND, MOST SIGNIFICANTLY, IN THE EVENT OF MOBILIZATION. IT WOULD BE INEFFICIENT TO BUILD DINING FACILITIES LARGE ENOUGH TO MEET MOBILIZATION REQUIREMENTS. THE OPEN MESSES ARE THE BACKUP. THEY PROVIDE THE FACILITIES AND SPACE THAT WOULD BE NEEDED IN MOBILIZATION AND ALSO PROVIDE A TRAINING GROUND AND ROTATIONAL BASE FOR FOOD SERVICE PERSONNEL WHERE THEY CAN PRACTICE AND IMPROVE THEIR SKILLS. IN THE CASE OF THE NAVY AND MARINES, THESE POSITIONS PROVIDE SHIP TO SHORE ROTATIONAL BILLETS. FOR ALL SERVICES, MILITARY PERSONNEL WORKING IN THE CLUBS ARE AN INTEGRAL PART OF SUPPORT FOR CONTINGENCY PLANS.

CLUB FACILITIES ALSO ARE USED FOR A WIDE RANGE OF EVENTS TO SUPPORT COMMUNITY RELATIONS AND TO SUPPORT THE MILITARY MISSION. IT IS COMMON, FOR EXAMPLE, TO USE CLUB FACILITIES FOR SUCH ACTIVITIES AS CIVILIAN/MILITARY PRAYER BREAKFASTS, MEETINGS WITH LOCAL AND VISITING GROUPS WHO ARE TOURING THE INSTALLATION, BREAKFAST, LUNCH OR DINNER MEETINGS WITH MEMBERS OF THE PRIVATE SECTOR HAVING OFFICIAL BUSINESS ABOARD THE INSTALLATION, AND FREQUENT MILITARY-ONLY MEETINGS WHERE THE CLUB FACILITY IS MOST CONVENIENT, ACCESSIBLE, OR OTHERWISE APPROPRIATE. CLUB FACILITIES ALWAYS ARE CONSIDERED TO BE PART OF THE INSTALLATION'S OVERALL CAPABILITY TO PROVIDE ADEQUATE SPACE TO MEET ORGANIZATIONAL REQUIREMENTS.

THE MILITARY CLUB SYSTEM HAS BEEN CRITICIZED BY SOME WHO SUGGEST THAT IT SHOULD BE COMPLETELY SELF-SUPPORTING. OUR VIEW IS THAT APPROPRIATED FUND SUPPORT IS A GOOD INVESTMENT. IT RECOGNIZES THAT COMPLETE SELF-SUPPORT WOULD BE IMPRACTICAL BECAUSE OF THE LIMITED PATRON-BASE; THAT INSTITUTIONAL VALUES OF THE MILITARY SERVICES CAN BE WELL SERVED BY THE CLUB SYSTEM; THAT THE CLUB FACILITIES ARE IN FACT MUCH MORE THAN SOCIAL

FACILITIES, BEING A PREFERRED ON-DUTY AREA FOR CONFERENCES, MEETINGS, AND OTHER ACTIVITIES UNRELATED TO THE CLUBS' PRIMARY PURPOSE; THAT THEY PROVIDE A NEEDED BACKUP TO THE DINING FACILITIES IN TIME OF MOBILIZATION; AND THAT THEY PROVIDE BILLETS FOR INDIVIDUALS WHOSE OCCUPATIONAL SPECIALTIES REQUIRE ASSIGNMENTS IN THE CONTINENTAL UNITED STATES TO SUPPORT THE BILLET STRUCTURE WORLDWIDE. FOR ALL OF THESE REASONS, APPROPRIATED FUND SUPPORT IS BOTH REQUIRED AND IN KEEPING WITH THE PURPOSE OF APPROPRIATED FUNDS. WE ESTIMATE, HOWEVER, THAT IMPROVED MANAGEMENT CAN REDUCE APPROPRIATED FUND SUPPORT TO CLUBS BY ABOUT 20 PERCENT, OR ABOUT $40 MILLION ANNUALLY.

INCREASING EARNINGS FROM ACTIVITIES GENERATING NONAPPROPRIATED FUNDS

WE CAN MITIGATE THE EFFECT OF SOME APPROPRIATED FUND REDUCTIONS ON MWR PARTICIPANTS AND PATRONS BY INCREASING OUR NAF EARNINGS IN MILITARY EXCHANGES AND PACKAGE STORES. THESE TWO ACTIVITIES PROVIDE THE BULK OF NET EARNINGS, OR DIVIDENDS, WHICH CAN BE USED TO PROVIDE SUPPLEMENTARY FUNDING FOR OUR SPORTS AND ENTERTAINMENT PROGRAMS, LIBRARIES, YOUTH ACTIVITIES, AND SO FORTH.

EXCHANGE AND PACKAGE STORE EARNINGS HAVE BEEN ADVERSELY AFFECTED BY TWO CONGRESSIONAL ACTIONS. FIRST, THE PROVISION IN LAW TWO YEARS AGO THAT ALL ALCOHOLIC BEVERAGES MUST BE PROCURED WITHIN THE STATE(S) IN WHICH THE MILITARY INSTALLATION IS LOCATED. THIS WAS MODIFIED LAST YEAR TO PERMIT COMPETITIVE PROCUREMENT OF DISTILLED SPIRITS IN THE FORTY-EIGHT CONTIGUOUS STATES. THE CURRENT RESTRICTIONS ON ALL ALCOHOLIC BEVERAGE PROCUREMENTS IN ALASKA AND HAWAII, AS WELL AS ON BEER AND WINE IN THE OTHER STATES, SINGLE OUT A SINGLE COMMODITY -- ALCOHOLIC

BEVERAGES -- FROM AMONG ALL OTHER PRODUCTS AND SERVICES PURCHASED BY THE DOD FOR RESTRICTIVE COMPETITION. THIS LOWERS OUR EARNINGS (PROFIT, IN COMMERCIAL PARLANCE), THUS ADVERSELY IMPACTING ON THE AMOUNT OF NAF AVAILABLE TO SUPPORT INSTALLATION-LEVEL MWR PROGRAMS. WE ASK THE ASSISTANCE OF THIS COMMITTEE IN LIFTING THESE RESTRICTIONS.

SECOND, AT ABOUT THE SAME TIME AS RESTRICTIONS WERE PLACED ON PROCUREMENT OF ALCOHOLIC BEVERAGES, THE CONGRESS PLACED A MORATORIUM ON FRANCHISING. THE MORATORIUM HAS BEEN LIFTED, BUT THERE IS STILL OPPOSITION FROM SOME MEMBERS OF THE CONGRESS TO FRANCHISING, BASED ON ITS POSSIBLE IMPACT ON FRANCHISEES IN NEARBY CIVILIAN COMMUNITIES. WE FORWARDED A REPORT TO THE CONGRESS ON THIS SUBJECT, FEBRUARY 3, 1986. WE ALSO FORWARDED BUSINESS PLANS OR STRATEGIES FOR OUR THREE MILITARY EXCHANGE SERVICES TO THE CHAIRMAN OF THE HOUSE COMMITTEE ON ARMED SERVICES, APRIL 10, 1987. WHILE THE LATTER COMMITTEE HAS NOT YET CONCURRED WITH OUR NAF CONSTRUCTION PLAN FOR ADDITIONAL FAST FOOD FRANCHISES, WE ARE HOPEFUL THAT ALL CONGRESSIONAL RESTRICTIONS WILL BE LIFTED SOON. FRANCHISE OPERATIONS HAVE MET WITH GREAT PATRON ACCEPTANCE AND ARE A REAL SERVICE AND CONVENIENCE TO OUR MILITARY PERSONNEL AND THEIR FAMILIES, IN ADDITION TO BEING BOTH A CURRENT SOURCE AND A POTENTIAL SOURCE OF NEEDED NAF EARNINGS.

SUPPORT FOR REVENUE GENERATING ACTIVITIES IN METROPOLITAN AREAS

THE CONFERENCE REPORT ON THE FY87 DOD APPROPRIATIONS ACT DIRECTED THE DEPARTMENT TO REDUCE APPROPRIATED FUND SUPPORT OF REVENUE GENERATING MWR ACTIVITIES THROUGHOUT THE FISCAL YEAR. A GENERAL PROVISION WAS INCLUDED IN THE ACT, WHICH STATES THAT:

> "After September 30, 1987, no appropriated funds may be used to support revenue generating Morale, Welfare and Recreation (MWR) activities located in large metropolitan areas, as defined by Department of Defense regulations, of the fifty United States."

On May 7, 1987, the Department sent letters to the Chairmen of the House and Senate Appropriations and Armed Services Committees listing 150 military installations in the United States affected by this General Provision, which became effective nine days ago on the first of October.

That provision is harmful to the objectives of the MWR program, and we respectfully request its repeal. Our primary concerns are (1) the apparent assumption behind the provision that whatever military people need in the way of MWR activities that normally generate revenue will be appropriately available in metropolitan areas, (2) the apparent assumption that the existing benefit to military members of having these activities available in metropolitan areas can be discounted, and (3) the extreme impact of the provision on military clubs.

We have found that in many instances the activities being denied appropriated fund support under this provision either are unavailable in the local area or so far distant from the military base that they do not provide a reasonable alternative. Further, the military Services all recognize the particular value of reasonably priced MWR activities in metropolitan areas as one of the many benefits that convince military people that a career in their Service is the best alternative. Particularly in metropolitan areas, where other employment opportunities are most available, commanders recognize the value of on-base

ACTIVITIES FOR MEMBERS AND THEIR FAMILIES THAT PROMOTE A SENSE OF UNITY AND COMMON PURPOSE, ULTIMATELY LEADING TO HIGHER PERSONNEL RETENTION AND, OF COURSE, READINESS. FINALLY, WE ARE UNABLE TO STAFF CLUBS WITH MILITARY PERSONNEL OR APPROPRIATED FUNDED CIVILIANS IN METROPOLITAN AREAS. THIS SITUATION REMOVES MOST EXPERIENCED PERSONNEL FROM MILITARY CLUBS AND, IN THE CASE OF MILITARY PERSONNEL, ELIMINATES THE ROTATION BASE FOR OVERSEAS CLUB ASSIGNMENTS.

WE ARE PROPOSING IN OUR AUGUST REPORT A SERIES OF ACTIONS THAT WILL SUBSTANTIALLY REDUCE FUNDING FOR REVENUE GENERATING MWR ACTIVITIES REGARDLESS OF GEOGRAPHIC LOCATION. WE SUPPORT THE PHILOSOPHY THAT THESE ACTIVITIES SHOULD BE MANAGED IN A MORE BUSINESSLIKE MANNER. ADDITIONALLY, WE HAVE PROPOSALS TO CAP OVERALL AND INDIVIDUAL ACTIVITY LEVELS OF FUNDING. WE WOULD APPRECIATE REMOVAL OF THE COUNTERPRODUCTIVE RESTRICTION THAT LIMITS OUR ABILITY TO ACHIEVE TRUE EFFICIENCY OF MWR OPERATIONS IN METROPOLITAN AREAS: THAT IS, CONTINUED EFFECTIVENESS AT LESS COST.

THE LEVEL OF APPROPRIATED FUND SUPPORT FOR MWR ACTIVITIES IS LESS THAN ONE HALF OF ONE PERCENT OF THE DEFENSE BUDGET. FOR THAT INVESTMENT, THE RETURN ENCOMPASSES A PROGRAM THAT PROVIDES ACTIVITIES RANGING FROM LIBRARIES TO BOWLING ALLEYS FOR A VERY LARGE POPULATION AT ALL CONUS AND OVERSEAS BASES. BASE COMMANDERS ARE MAKING DECISIONS DAILY ON SPECIFIC ACTIVITY SUPPORT THAT BEST SUIT THE POPULATION AND CHARACTERISTICS OF THEIR COMMANDS. EVERY TIME THERE IS A REDUCTION IN OVERALL FUNDING LEVELS FOR THE MWR PROGRAM, THE FLEXIBILITY OF THE BASE COMMANDER TO MAKE THESE DECISIONS IS REDUCED ALSO. THIS REDUCED FLEXIBILITY COMES AT A TIME WHEN WE WOULD PREFER OUR PERSONNEL TO REMAIN ON BASE MAKING USE OF A VARIED AND APPEALING MWR

PROGRAM. IN THIS MANNER, MWR FUNDING DIRECTLY AFFECTS READINESS. WE HAVE PROPOSED CAPPING APPROPRIATED FUNDING FOR MWR TO THE FY87 LEVEL. THIS ACTION WOULD PROVIDE FUNDING PREDICTABILITY TO A PROGRAM WHICH WILL GREATLY BENEFIT FROM THAT ACTION.

Senator **GLENN**. Thank you very much, General Lukeman.

We are glad to be joined by Senator Symms of this committee and Senator Stevens, the Senator from Alaska, who is the ranking minority member on the Defense Appropriations Subcommittee and very much involved with what we are talking about here this morning.

So, Ted, we welcome you to the hearing and hope you can stay for the whole morning with us.

I think we will go ahead with the other statements before we get into general questioning here.

General Ono, I believe you are next on my list.

Lt. Gen. Allen K. Ono is Army Deputy Chief of Staff, personnel.

General.

STATEMENT OF LT. GEN. ALLEN K. ONO, USA, DEPUTY CHIEF OF STAFF, PERSONNEL

General **ONO**. Good morning, Mr. Chairman, and members of the committee. I am Lieutentant General Ono, the Army's Deputy Chief of Staff for Personnel. I am pleased to have this opportunity to discuss the Army's morale, welfare, and recreation program with you this morning. This program is viewed as absolutely essential to our overall efforts to maintain a strong, dedicated and cohesive army.

MWR is a cornerstone upon which commanders can address soldier and family needs in a positive manner. The Army leadership has collectively reaffirmed this importance in the overarching goal of morale, welfare and recreation, which is to support the Army mission to defend our Nation.

We have established the following six principles by which we govern ourselves. First, morale, welfare and recreation is a quality of life program related directly to readiness.

Second, morale, welfare and recreation supports recruiting and retention.

Next, this program meets the needs of units as well as soldiers and their families.

Next, morale, welfare and recreation programs are tiered into categories and funded with appropriated fund support based on the degree of readiness impact.

Fifth, morale, welfare and recreation programs must be sustained on a long-range basis.

Last, nonappropriated funds belong to our soldiers and their families.

Due to the recognized importance, the Army has moved aggressively during the last decade to become more efficient in maintaining and improving this program. We have initiated many improvements, three of which I would like to highlight for you.

First, the Installation Morale, Welfare and Recreation Fund, commonly referred to as the Single Fund, was initiated Armywide on October 1, 1986. This action reduced the number of individual NAF instrumentalities on an installation; formed a single installation business entity; increased efficiency and improved financial management; and provided commanders with increased flexibility for program management.

This Single Fund has been highly successful, as proven in the test that started in 1984 at our training and doctrine command. The U.S. Army Audit Agency has concluded that it provides a sound base for effective management.

Our second major achievement has been the implementation of an aggressive construction plan to modernize our MWR physical plants. This plan has enabled us to build $500 million worth of facilities since 1980 using nonappropriated funds.

The third initiative is our continuing effort to improve business operations through our partnership with the Army/Air Force Exchange Service and the private sector. This effort has resulted in the development of a Burger King program AAFES-management of our MWR fast food operations, and an AAFES-managed pay telephone service program. Each initiative is proving the value of a sound partnership with our exchange service.

In addition, we continue to seek a partnership with the private sector to assist financing facilities such as our ongoing efforts with the Holiday Inn of America at Fort Drum, NY.

Your committee has asked that I address the recent congressional action to eliminate appropriated fund support to revenue generators within metropolitan areas of the 50 United States. This mandate has affected 45 locations in the Army and caused the removal of 85 appropriated fund civilians and 75 military personnel as of October 1, 1987.

We have curtailed $18 million of appropriated funds from these activities at these locations. We have complied with Congress' direction.

I ask that you continue your excellent record of supporting the soldiers and their families overseas and at remote sites. As I have stated, morale, welfare and recreation is crucial to readiness. Soldiers defend our Nation and its citizens and, in doing so, they are sent overseas and in many cases serve in remote sites far from home. On a moment's notice, they must respond and leave their families and homes; therefore, we are responsible and must demonstrate that we care.

If this is done, they become committed to the unit, the Army and our Nation. This is why we state that the quality of life programs in the Army are, in fact, a readiness issue.

Mr. Chairman, this concludes my statement. I will be happy to answer questions at this time.

[The prepared statement of General Ono follows:]

STATEMENT BY

LIEUTENANT GENERAL ALLEN K. ONO
DEPUTY CHIEF OF STAFF FOR PERSONNEL
DEPARTMENT OF THE ARMY

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I AM LIEUTENANT GENERAL ONO, THE ARMY DEPUTY CHIEF OF STAFF FOR PERSONNEL. I AM PLEASED TO HAVE THIS OPPORTUNITY TO DISCUSS THE ARMY'S MORALE, WELFARE AND RECREATION PROGRAM. THIS PROGRAM CONTAINS A NUMBER OF ACTIVITIES AND SERVICES WHICH CONTRIBUTE SUBSTANTIALLY TO THE QUALITY OF LIFE OF OUR SOLDIERS AND THEIR FAMILIES. THESE ACTIVITIES INCLUDE LIBRARIES, PHYSICAL FITNESS CENTERS, CLUBS AND GOLF COURSES. A TOTAL LIST OF ARMY MWR ACTIVITIES AND THEIR CORRESPONDING APF SUPPORT IS ENCLOSED.

THE MORALE, WELFARE AND RECREATION PROGRAM IS ESSENTIAL TO THE ARMY AND HAS PROVEN TO BE THE CORNERSTONE THROUGH WHICH COMMANDERS CAN ADDRESS SOLDIER AND FAMILY NEEDS IN A POSITIVE MANNER. THE ARMY LEADERSHIP HAS COLLECTIVELY REAFFIRMED THIS IMPORTANCE AND THE OVERARCHING GOAL OF MORALE, WELFARE AND RECREATION--TO SUPPORT THE ARMY MISSION. RECENTLY, WE ESTABLISHED THE FOLLOWING PRINCIPLES TO GOVERN OUR APPROACH TO ITS MANAGEMENT:

0 THE MORALE, WELFARE AND RECREATION PROGRAM IS A QUALITY OF LIFE PROGRAM DIRECTLY RELATED TO READINESS.

0 MORALE, WELFARE AND RECREATION PROGRAMS MEET THE NEEDS OF UNITS, SOLDIERS AND FAMILIES.

0 MORALE, WELFARE AND RECREATION ARE TIERED BASED ON READINESS IMPACT.

--TOP TIER PROGRAMS HAVE THE HIGHEST IMPACT ON READINESS AND SHOULD RECEIVE MAXIMUM APPROPRIATED FUND SUPPORT.

--LOWEST TIER PROGRAMS HAVE THE LOWEST IMPACT ON READINESS AND SHOULD BE SELF-SUSTAINING.

0 NONAPPROPRIATED FUND DOLLARS BELONG TO SOLDIERS AND THEIR FAMILIES.

0 MORALE, WELFARE AND RECREATION PROGRAMS SHOULD BE SUSTAINED ON A LONG RANGE BASIS.

0 MORALE, WELFARE AND RECREATION PROGRAMS SUPPORT RECRUITING AND RETENTION.

IN RECENT YEARS WE HAVE IMPROVED OUR BUSINESS ORIENTATION AND HAVE BECOME MORE EFFICIENT IN OVERALL PROGRAM OPERATIONS AND MANAGEMENT. THESE IMPROVEMENTS AND INITIATIVES ARE MANY. I HIGHLIGHT THREE NOTEWORTHY ACHIEVEMENTS:

0 THE INSTALLATION MORALE, WELFARE AND RECREATION FUND, KNOWN AS THE SINGLE FUND, WAS INITIATED ARMY-WIDE ON 1 OCTOBER 1986. THIS CONCEPT HAS REDUCED THE NUMBER OF INDIVIDUAL NONAPPROPRIATED FUND INSTRUMENTALITIES FROM OVER 1200 TO 200 INSTALLATION FUNDS. THIS RESTRUCTURING OF THE PROGRAM INTO A SINGLE BUSINESS ENTITY ON THE INSTALLATION HAS INCREASED OPERATING EFFICIENCY, IMPROVED FINANCIAL MANAGEMENT AND FACILITATED THE INSTALLATION COMMANDER'S FLEXIBILITY TO APPLY NECESSARY RESOURCES TO PROGRAMS AND PROJECTS TO SATISFY TOTAL INSTALLATION REQUIREMENTS. THE SINGLE FUND PROMOTES TEAMWORK AMONG THE VARIOUS PROGRAM MANAGERS AND PERMITS THE COMMANDER TO APPLY NONAPPROPRIATED FUND RESOURCES TO HIS OR HER GREATEST NEEDS. THE SUCCESS OF THE SINGLE FUND SPEAKS FOR ITSELF. IN OUR TRAINING AND DOCTRINE COMMAND, WHERE THE SINGLE FUND HAS BEEN IN EFFECT FOR OVER THREE YEARS, NET INCOME IN FISCAL YEAR

1986 INCREASED 22%, WHILE APPROPRIATED FUND OPERATING SUPPORT DECREASED 6.4%. IN A JUNE 1987 REPORT, THE ARMY AUDIT AGENCY CONCLUDED THAT "THE SINGLE FUND CONCEPT AND RELATED MANAGEMENT PHILOSOPHIES PROVIDE A SOLID BASE FOR EFFECTIVE MANAGEMENT AND MERIT FULL SUPPORT AT ALL COMMAND LEVELS." ADDITIONALLY, COMMANDERS ARE NOW IN A POSITION TO USE NONAPPROPRIATED FUND REVENUES FROM PROFITABLE OPERATIONS TO SUPPORT THOSE NOT GEARED TO PROFITABILITY, THUS ENHANCING THE QUALITY OF LIFE OF THE TOTAL COMMUNITY.

0 OUR SECOND MAJOR THRUST HAS BEEN A CONCERTED DRIVE TO MODERNIZE THE PHYSICAL PLANT OF OUR MORALE, WELFARE AND RECREATION ACTIVITIES. IN JANUARY 1985, WE IDENTIFIED A $1.8 BILLION DOLLAR BACKLOG OF NEEDED NONAPPROPRIATED FUND CONSTRUCTION, INCLUDING REVENUE GENERATORS SUCH AS BOWLING CENTERS AND GOLF COURSES, AND OTHER IMPORTANT COMMUNITY PROGRAMS SUCH AS YOUTH ACTIVITIES AND SKILL DEVELOPMENT CENTERS. THE ARMY HAS STRATEGICALLY MOVED TO IDENTIFY AND PRIORITIZE THESE FACILITY REQUIREMENTS AND, THROUGH APPLICATION OF THE DIVIDEND RECEIVED FROM THE ARMY AIR FORCE EXCHANGE SERVICE AND INCOME FROM THE ARMY RECREATION MACHINE PROGRAM, HAS BEEN ABLE TO BUILD $500 MILLION WORTH OF FACILITIES IN THE YEARS OF 1980 TO 1987. THESE NEW FACILITIES REPRESENT A LASTING COMMITMENT TO AN ENHANCED QUALITY OF LIFE FOR SOLDIERS AND THEIR FAMILIES.

0 THE THIRD PROGRAM OF INTEREST IS OUR ON-GOING EFFORT TO IMPROVE BUSINESS OPERATIONS THROUGH A PARTNERSHIP WITH THE ARMY AIR FORCE EXCHANGE SERVICE AND THE PRIVATE SECTOR. THE ARMY HAS ENTERED INTO TWO AGREEMENTS WITH THE EXCHANGE SERVICE. THE FIRST WAS THE BASIS FOR THE BURGER KING PROGRAM, LATER EXPANDED TO PROVIDE FOR THE EXCHANGE SERVICE'S MANAGEMENT OF ALL FAST FOOD ON THE INSTALLATION TO INCLUDE THAT TRADITIONALLY RUN BY THE INSTALLATION MWR PROGRAM. THE SECOND ARRANGEMENT HAS BEEN

FOR EXCHANGE SERVICE CONTRACT MANAGEMENT OF PAY TELEPHONE SERVICE ON THE INSTALLATION. THESE COOPERATIVE ARRANGEMENTS WILL BRING SUBSTANTIAL INCOME TO OUR INSTALLATIONS. BURGER KING ALONE HAS THUS FAR RETURNED OVER $16,700,000 TO INSTALLATIONS. ESTIMATES FOR ANNUAL PAY TELEPHONE INCOME UPON FULL IMPLEMENTATION RANGE FROM $11,000,000 TO $15,000,000. WE ALSO ARE LOOKING TO THE PRIVATE SECTOR TO ASSIST IN FINANCING NEEDED FACILITIES AND OPERATING THOSE FACILITIES IN A PROFESSIONAL MANNER. OUR LATEST VENTURE HAS BEEN IN CONTRACTING FOR AN ARRANGEMENT WITH HOLIDAY INN OF AMERICA TO BUILD A TRANSIENT LODGING FACILITY AT FORT DRUM, NEW YORK.

MR. CHAIRMAN, YOUR COMMITTEE HAS ASKED THAT I ADDRESS THE IMPACT OF RECENT CONGRESSIONAL ACTION TO ELIMINATE APPROPRIATED FUND SUPPORT TO REVENUE GENERATING ACTIVITIES IN METROPOLITAN AREAS OF THE 50 UNITED STATES. WITHIN THE ARMY, THIS ACTION AFFECTED 45 LOCATIONS. WE ISSUED GUIDANCE THAT REMOVED 85 APPROPRIATED FUND CIVILIAN EMPLOYEES AND 75 MILITARY PERSONNEL FROM POSITIONS AT THOSE INSTALLATIONS EFFECTIVE 1 OCTOBER OF THIS YEAR THE TOTAL AMOUNT OF APPROPRIATED FUND SUPPORT TO THESE LOCATIONS WHICH HAS BEEN CURTAILED AS OF 1 OCTOBER IS APPROXIMATELY $18,000,000. I MUST ADD, MR. CHAIRMAN, THAT I BELIEVE THIS POLICY HAS HAD SOME UNINTENDED EFFECTS. ALTHOUGH THE INTENT OF CONGRESS WAS TO REMOVE APPROPRIATED FUNDS FROM INSTALLATIONS WITH THE LEAST NEED, SOME INSTALLATIONS IN METROPOLITAN AREAS NEED TO BE EXEMPTED. I CITE TWO REASONS. FIRST, THE HIGH COST OF LIVING AT SOME METROPOLITAN AREAS THAT PRESENT HARDSHIPS ON MILITARY PERSONNEL. SECOND, IN SOME LOCATIONS ADEQUATE FACILITIES ARE NOT AVAILABLE. I JOIN WITH LTG LUKEMAN IN SEEKING YOUR CONSIDERATION TO REPEAL THE LANGUAGE RELATING TO APPROPRIATED FUNDS IN METROPOLITAN AREAS. THE POLICY SHOULD ALLOW FOR EXCEPTIONS.

I ALSO ASK, AS WE MOVE TO REDUCE APPROPRIATED FUND SUPPORT TO OUR REVENUE GENERATORS ARMY-WIDE, THAT THE CONGRESS CONTINUE ITS EXCELLENT RECORD OF SUPPORTING OUR SOLDIERS AND FAMILIES OVERSEAS AND AT REMOTE SITES. WE MUST CONTINUE TO PROVIDE FOR THEIR QUALITY OF LIFE.

MR. CHAIRMAN, I KNOW THAT YOU AND YOUR MEMBERS REALIZE THAT MORALE, WELFARE AND RECREATION PROGRAMS ARE CRUCIAL. YOUR SOLDIERS DEFEND OUR NATION AND ITS CITIZENS. IN PERFORMING THIS DUTY THEY ARE SENT OVERSEAS AND, IN MANY CASES, TO REMOTE SITES. WHEN CALLED UPON THEY MUST LEAVE THEIR FAMILIES AND THEIR HOMES ON A MOMENT'S NOTICE. WE MUST SHOW OUR FINE SOLDIERS AND THEIR FAMILIES THAT WE CARE. FOR ITS BY SUCH CARE THEY BECOME COMMITTED TO THE UNIT, THE ARMY AND OUR NATION. IT IS FOR THIS REASON THAT WE STATE THE QUALITY OF LIFE IS A READINESS ISSUE.

MR. CHAIRMAN, THIS CONCLUDES MY STATEMENT. I WILL BE HAPPY TO ANSWER ANY QUESTIONS AT THIS TIME.

TOTAL ARMY APPROPRIATED FUND SUPPORT
MORALE, WELFARE AND RECREATION
($M)

MWR ACTIVITY	FY86 ACTUAL	FY87 ESTIMATE	FY88 ESTIMATE
Gyms/Physical Fitness	$ 70.3	$ 70.6	$ 71.5
Libraries	30.5	30.7	31.5
Parks and Picnic Areas	8.4	8.4	8.4
Recreation Centers	29.1	29.0	29.5
Temporary Lodging (Support Official Travel)	22.5	23.2	24.0
Arts & Crafts/Auto Crafts	33.7	33.6	33.6
Child Development Centers	23.7	23.6	24.0
Music and Theater	10.0	10.1	10.0
Outdoor Recreation & Rec Swimming	15.2	14.9	14.6
Sports (above intramural)	1.0	1.2	1.2
Youth Activities	17.4	17.3	17.6
Bowling (12 or less lanes)	3.6	3.0	2.4
Marinas (without resale activities)	.5	.3	.1
Rec Equipment Checkout Ctrs	1.2	1.2	.8
Temporary Lodging Facilities	3.4	3.5	3.6
Army Recreation Machines	0.0	0.0	0.0
AFRCs (Hotel, Resale)	10.5	10.8	11.1
Bowling (over 12 lanes)	7.5	5.0	4.9
Cabins/Rec Guest Houses	2.0	1.8	1.4
Golf Courses	5.3	3.8	3.5
Package Beverage Stores/ Class VI	8.3	8.6	8.9
Skating, Skeet/Trap, Stables	1.5	1.5	1.0
Supplemental Mission Activities	3.8	3.7	3.6
Other Membership Associations	2.5	2.5	2.6
Rec Info, Tickets, Tours	.4	.4	.4
Membership Clubs	60.3	43.2	39.2
Morale Support Overhead	45.7	42.8	43.0
Common Support Services	28.0	28.8	29.3
SUBTOTAL (Army Only) APF Operating Support	$ 446.3	$ 423.5	$ 421.7
Major Construction, Army	51.7	42.3	57.7
GRAND TOTAL (Army Only)	$ 498.0	$ 465.8	$ 479.4

TOTAL ARMY APPROPRIATED FUND SUPPORT MORALE, WELFARE AND RECREATION
($M)

	FY86 ACTUAL	FY87 ESTIMATE	FY88 ESTIMATE
OTHER ACTIVITIES FOR WHICH DEPARTMENT OF ARMY IS EXECUTIVE AGENT FOR REPORTING:			
Army, Air Force Exchange Service	$ 111.8	$ 97.6	$ 87.6
Stars and Stripes	7.7	7.8	8.0
Civilian Post Restaurants	.7	.7	.7
Civilian Welfare Funds	.1	.1	.1
SUBTOTAL: Joint Services	$ 120.3	$ 106.2	$ 96.4
GRAND TOTAL	$ 618.3	$ 572.0	$ 575.8

Senator **Glenn**. Thank you, General. Thank you very much.

Rear Adm. Leon A. Edney, Chief of Naval Personnel. Admiral.

STATEMENT OF REAR ADM. LEON A. EDNEY, USN, CHIEF OF NAVAL PERSONNEL

Admiral **Edney**. Good morning, Mr. Chairman. I am Rear Adm. Bud Edney, and as of 8:30 this morning I assumed the duties of Chief of Naval Personnel. So if I come across as a little not dry behind the ears yet, it is because I have been drinking from a fire hydrant for the past week.

As I look at this subcommittee, I was smart enough along the way to be born in Massachusetts, to marry a girl from Nebraska and have had five tours in San Diego, so I am trying.

I have submitted a statement, and I would briefly like to highlight those points this morning.

Our Navy's welfare and recreation program directly affects the physical, physiological and social well being of our sailors and their families. This support, as has been indicated earlier, may be in the form of fitness equipment or specialized recreation programs for our afloat units, or they may be youth centers, child care centers, craft shops, bowling alleys or golf courses and the like ashore.

Whether afloat or ashore, whether for the sailor or the dependent, our welfare and recreation program provides wholesome outlets and release from the pressures of military service and thereby directly contributes to retention and readiness.

We have incorporated significant changes in management of our welfare and recreation programs in the past 12 months. This was to be responsible in a positive way to congressional funding cuts and their direction.

I want to state up front this morning that the Navy fully supports the requirement to operate these programs in a sound businesslike manner with revenue-generating sources seeking self-sufficiency wherever possible.

Nevertheless, the Navy has been particularly affected by the suspension of appropriated fund support for certain revenue generators in metropolitan areas. The preponderance of our U.S. installations, 58 of 112, are located in such areas. Obviously, our major Navy installations are in areas like San Diego, Norfolk, San Francisco and Jacksonville, all metropolitan areas.

These metropolitan areas are often the most expensive for our sailors to live in. Government housing is not available for the majority of our people, and they frequently are unable to afford housing; housing, that is, that you and I would consider suitable to live in.

Within this environment, we must remember that an E-4, a third class petty officer, living in Norfolk, VA as an example, has only $57 a month available for entertainment. This is according to the CPI estimate. He has this money available, that is, if he is married and has not applied that money to get adequate housing; or, perhaps added it for the fuel the expense required to drive from Woodbridge, VA, 60 miles away, where he can afford to live if he is working in the Washington, DC area.

Now, I want to remind everyone that this is often the same sailor, married or single, that spent the last 4 months in the Persian Gulf under the threat of active mine warfare, 120 degree temperature in the engineering spaces, and hand railings so hot that you cannot tough them going to and from work, and the work is a 15- to 17-hour day.

These are the type of pressures from which the welfare and recreation facilities provide relief. We must never forget that and keep this issue up front.

Because this is so important to me, I want to give you another example. Six years ago in 1980, I was commanding officer of the USS *Constellation,* and I was in that Indian Ocean. The 5,000 *Constellation* sailors, who averaged 20.5 years of age, spent 120 days at sea with no time off, never seeing land, working 15 hours a day in the monsoon weather environments while we flew aircraft on a constant day and night basis.

We should remind each other that during the same time, the average American spent 35 days on time off and relaxation on what we call weekends with access to normal recreational outlets every day.

So based on my experience, I do not think it is improper to support properly managed welfare and recreation funds with appropriated funds. In fact, even in the metropolitan areas I consider it proper and necessary.

Having gotten this off my chest, the state of the Navy's welfare and recreation program is good. We have improved management at the base level as well as throughout the chain of command to respond to the challenge given to us by Congress. We have absorbed the cuts, realigned the appropriated support into nonrevenue generators where possible, and aggressively sought new revenue sources from such efforts as recycling, unofficial travel commissions, telephone contract and profits, video game contract profits and the like.

These initiatives are bringing activity operating costs into line with revenue generating capacity. Organizational and fiscal consolidation of recreation and club programs now exists at many of our bases. We are on track to transition all bases to this consolidated mode over the next 2 years. This has provided significant efficiencies and dollar cost savings in how we do business.

Our service clubs are particularly vulnerable and difficult challenges. The biggest operational adjustments must be made here. Clubs have, for a variety of complex reasons, given us a lot of problems. They have become dependent on some appropriated fund support and are, therefore, potentially most at risk, depending on the degree of funding change about which we are speaking.

I would like to address our club needs a little bit further later on in the statement.

To address your particular concerns, the Navy has moved out aggressively to reorganize and adapt more businesslike strategies for welfare and recreation programs. The major highlights are as follows.

We transferred retail-like functions from the management control of welfare and recreation managers to the Navy resale system on October 1, 1987.

We are reducing the number of welfare and recreation entities from about 500 to 160 through organizational and fiscal consolidations.

Our Navy Club Task Force identified an urgent need to refocus our marketing effort and to integrate club and recreation program management. This is being done across the board.

We are now buying supplies and equipment smarter within the Air Force purchasing system, an example of jointness.

We are focusing more on energy conservation issues and expediting construction through the use of standard design facilities.

We are continuing the upgrade of our computer based central accounting, payroll, and banking systems.

Our initiatives in manpower, management, personnel training and career development programs are top priority, since people are the key to successfully operating these programs in a manner that is responsive and businesslike.

Creative youthful management talent is being sought in the system throughout the United States. This is being done through a new recreation and mess intern program. We had over 50 interns participate in this program last year.

An improved and increased bonus program has also been promulgated.

We are also much aware of our need to aggressively explore private sector involvement in meeting our welfare and recreation requirements. We have commissioned a study to do this. We are using workshops and focus groups to develop and incorporate successful techniques.

Finally, we have implemented a new marketing and patron needs assessment tool. We call this the Smart Compass. We are trying to find out where we are going and where we should be going. This management tool identifies the customer's needs and facilities and also examines the cost of the off-base alternatives to meet these needs.

Now, I would like to again speak briefly to our club situation. Some level of appropriated fund support should be retained for all clubs, in my judgment. This is so because of their institutional value in fostering unity and cohesiveness with a restricted but youthful patron base. This base is made up of youths away from home for the first time.

They are more than a competitive club out in the civilian society. You expect this, and we expect our leadership to give more guidance to our youth that we bring in from the States across the country.

Our clubs are forced to operate within constraints not shared, therefore, by the private sector. These constraints apply to marketing techniques, employee pay and other operational costs.

We need and depend on our clubs for essential feeding to duty personnel; to provide a place for them to go, whether we make a profit or not; to counsel them and lead them away from alcohol; for community support and to assure training billets for our mess specialists personnel.

The withdrawal of required appropriated fund support for clubs will have a dramatic impact and could cause the closure of some facilities. Some would say, if you cannot operate at a profit or the utilization rate is too low, why not shut them down. This would certainly not be wise and would generate a highly visible example of lost benefits for our people and not allow us to provide the resources that they need when away from home.

We must continue to work this problem, and it is a problem. We support a gradual refinancing plan for club operations as proposed by General Lukeman and the Office of the Secretary of Defense.

I would be less than honest with you if I held out hope that the majority of these operations ever will become profitable without appropriated fund support. We can do it better and more responsibly. However, except in time of mobilization, it is very difficult to make these assets totally profitable.

In summary, the Navy has moved out quickly, aggressively and responsibly to respond to congressional budget actions and to comply with the directions you provided us 12 months ago.

What we now need is time, time to shake down and fully implement our plans as articulated in the OSD report to Congress of August 10, 1987. We need a stable environment to prove the efficiencies of our businesslike strategy and plans that I have discussed this morning. Further cuts or additional costs added to the user will exacerbate our situation and place these vital programs at risk.

I cannot overemphasize the importance of our welfare and recreation programs to the Navy community's well being and, consequently, to the retention efforts and our readiness posture.

I ask for your support of the August 10, 1987 OSD report. We must never take for granted the pressures associated with the military lifestyle which is, to some extent, alleviated by the quality of our welfare and recreation programs. Some degree of appropriated fund support is required and proper, and we should not be embarrassed nor apologize for it.

I know these issues are understood and supported by this committee as well as the Members of Congress. I thank you for that support, and we look forward to continuing to work on this issue with you.

Thank you, Mr. Chairman.

[The prepared statement of Admiral Edney follows:]

STATEMENT OF
REAR ADMIRAL L. A. EDNEY
DEPUTY CHIEF OF NAVAL OPERATIONS
FOR
MANPOWER, PERSONNEL AND TRAINING

OUR NAVY'S MWR PROGRAM DIRECTLY SUPPORTS THE PHYSICAL, PSYCHOLOGICAL AND SOCIAL WELL BEING OF OUR SAILORS AND THEIR FAMILIES. THIS SUPPORT MAY BE IN THE FORM OF FITNESS EQUIPMENT AND RECREATION PROGRAMS AFLOAT OR YOUTH CENTERS, CHILD CARE CENTERS, CRAFT SHOPS, BOWLING CENTERS OR GOLF COURSES ASHORE. OUR MWR PROGRAM SUPPORTS OUR READINESS POSTURE IN THE U.S., AFLOAT AND OVERSEAS. CONTINUED APPROPRIATED FUND SUPPORT OF OUR MWR PROGRAM IS ESSENTIAL. PERMIT ME TO PROVIDE SOME BACKGROUND ON WHERE WE ARE TODAY REGARDING MWR, HOW THE NAVY IS ACCOMMODATING RECENTLY IMPOSED FUNDING REDUCTIONS, AND WHY WE MUST ACHIEVE A STABLE FUNDING ENVIRONMENT FOR THIS PROGRAM THAT SUPPORTS OUR RETENTION AND READINESS.

BACKGROUND:

THE FY87 DEFENSE APPROPRIATIONS ACT (REPORT 99-1005) DIRECTED A $69.5 MILLION CUT IN APROPRIATION FUND (APF) SUPPORT TO SERVICE MORALE, WELFARE AND RECREATION (MWR) PROGRAMS. NAVY SHARE WAS $12.5 MILLION. THIS ACT FURTHER DIRECTED THAT THE SERVICES SUSPEND ALL APF SUPPORT TO MWR REVENUE GENERATORS (E.G. BOWLING, GOLF, MARINAS, CLUBS) LOCATED IN U.S. METROPOLITAN AREAS BY 30 SEPTEMBER 1987. THIS REQUIRED A REALIGNMENT OF AN ADDITIONAL $43 MILLION IN NAVY APF.

ADDITIONALLY, THE HOUSE ARMED SERVICES COMMITTEE (HASC) REPORT ON THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FY87 (HOUSE REPORT

No. 99-718) DIRECTED MINIMIZING APPROPRIATED SUPPORT TO REVENUE GENERATORS WORLDWIDE (I.E. NOT JUST IN U.S. METRO AREAS AS DIRECTED IN THE APPROPRIATIONS ACT).

NAVY LEADERSHIP IS CONCERNED THAT RETENTION AND READINESS NOT BE LESSENED BY REDUCING CRITICAL MORALE ENHANCING MWR PROGRAMS. APF SUPPORT TO THE RECREATION AND CLUB ELEMENTS OF MWR FOR OPERATIONAL COSTS HAS CONSISTENTLY DECLINED SINCE FY85, WITH SAILOR GENERATED NONAPPROPRIATED FUNDS ABSORBING INCREASED COSTS DUE TO INFLATION AND PROGRAM GROWTH (E.G. FITNESS AND YOUTH PROGRAMS). FOR EXAMPLE, IN TERMS OF 1983 CONSTANT DOLLARS APPROPRIATED FUND SUPPORT OF RECREATION AND MESS OPERATING COSTS HAS DECLINED FROM $335 PER SAILOR (FY85) TO $277 IN FY87, AND IS PROJECTED NOW TO BE $256 IN FY89. THIS AMOUNT IN FY89 IS 11 PERCENT BELOW THE $288 PER SAILOR FY83 FUNDING LEVEL. WHAT DOES THIS MEAN "REAL WORLD?"

AN E7 IN JACKSONVILLE, FLORIDA HAS ONLY $83 PER MONTH IN DISPOSSABLE INCOME FOR FAMILY RECREATION AND ENTERTAINMENT. THIS IS PER RECENT CPI ESTIMATES. THE E7'S ON BASE RECREATION OPPORTUNITIES ARE COSTING 25 PERCENT MORE.

AN E4 IN NORFOLK HAS ONLY $57 PER MONTH FOR RECREATION. LIKEWISE THE E4'S RECREATION COSTS ARE UP ABOUT 25-30 PERCENT.

ADDITIONAL HARD FACTS OF RECENT APPROPRIATED FUND CUTS:

- HOURS OF OPERATION HAVE BEEN CURTAILED AT MANY ACTIVITIES. SOME ACTIVITIES CLOSING. REDUCED HOURS/CLOSURE PROVIDES LESS ALTERNATIVES TO OPTIONS THAT USUALLY INCLUDE EXCESSIVE ALCOHOL USE AND OTHER UNHEALTHY ENVIRONMENTS. THE NET RESULT IS OFTEN INCREASED DISCIPLINARY PROBLEMS AND REDUCED EFFECTIVENESS ON THE JOB.

- New high impact program needs not funded - e.g. monitored family home care to accommodate large unmet child care need.

- Construction backlog of $500M grows. Maintenance problems compounded.

- 135 Navy mess specialists released from ashore club billets, 100 civil service employees released/reassigned. Payroll costs of $8M passed to patron with $7M utility costs. Suffered experienced management expertise loss at time of greatest turmoil.

Bottom line is reduced quality of life, reduced morale, reduced retention, lessened state of readiness. It is Navy's position that appropriated funding support of MWR should not be reduced further with the exception of a reduction of about 5 percent for clubs. Overseas and U.S. non-metro area bases urgently require the current level of support. This is in consonance with the 10 August 1987 OSD Report to Congress.

Navy has initiated actions and plans to meet Congressional direction and position the Navy MWR program to operate in a dynamic funding climate. While it will take time to fully adjust to the programmed changes in the APF funding environment, bowling, golf and marina operations in metro areas are expected to be self-sufficient within the next two years. During the interim period, nonappropriated funds will be realigned from other sources such as pay telephone commissions to buffer operations as prices/fees and operating costs are adjusted. It must be realized this result has been accomplished at additional cost to our sailors' marginal recreational purchasing power.

IN TAKING ITS ACTIONS, NAVY OBJECTIVES ARE TO: MINIMIZE THE ADVERSE IMPACT ON THE QUALITY OF LIFE OF THE NAVY COMMUNITY; RETAIN CHAIN OF COMMAND PREROGATIVES IN OPERATING LOCAL MWR PROGRAMS; PROPERLY POSITION APPROPRIATED SUPPORT IN THE HARD AREAS (OVERSEAS, REMOTE AND ISOLATED BASES) AND PROVIDE MAXIMUM OPERATIONAL FLEXIBILITY SO THAT MWR PROGRAMS CAN ADJUST AND CHANGE AS THE FUNDING ENVIRONMENT DICTATES.

ACTIONS AND INITIATIVES UNDERWAY OR PLANNED:

1. A THOROUGH REVIEW OF MWR ORGANIZATIONS HAS BEEN MADE. AS A RESULT, TWO MAJOR CHANGES HAVE BEEN INITIATED:

A. THE TRANSFER OF RETAIL-LIKE FUNCTIONS FROM THE TECHNICAL CONTROL OF MWR TO THE NAVY RESALE AND SERVICES SUPPORT OFFICE (NAVY EXCHANGE SYSTEM) WAS COMPLETED ON 1 OCTOBER 1987 (CONSOLIDATED PACKAGE STORES, PAY TELEPHONES, AND AMUSEMENT MACHINE OPERATIONS). PROFIT DISTRIBUTION PROCEDURES, ACCOUNTING AND REPORTING SYSTEMS HAVE BEEN MODIFIED. PROFITS RETAINED AT THE BASE LEVEL HAVE BEEN SUBSTANTIALLY INCREASED TO PROVIDE GREATER INSTALLATION COMMANDER INCENTIVES TO MONITOR EXCHANGE AND MWR PERFORMANCE MORE CLOSELY. FORMERLY ALL NAVY RESALE PROFITS FLOWED TO MWR HEADQUARTERS AND VIA THE CHAIN OF COMMAND TO BASE LEVEL.

B. INDIVIDUAL MWR INSTRUMENTALITIES AT THE INSTALLATION LEVEL WILL BE CONSOLIDATED AND MERGED INTO SINGLE MWR FUNDS AND DEPARTMENTS, REDUCING THE NUMBER OF ENTITIES FROM APPROXIMATELY 500 TO 160. THE CONSOLIDATIONS ARE EXPECTED TO BE SYNERGISTIC WITH THE STRENGTHS IN ONE AREA SUPPORTING WEAKNESSES IN ANOTHER. THE ENTIRE CONVERSION PROCESS WILL TAKE PLACE OVER THE NEXT TWO YEARS. AT 30 SEPTEMBER 1987, 15 INSTALLATIONS HAD SHIFTED TO THIS NEW CONCEPT WITH 50 MORE IN PROCESS (40 PERCENT). CENTRAL AND LOCAL FINANCIAL, ACCOUNTING AND REPORTINGSYSTEMS HAVE BEEN MODIFIED TO ACCOMMODATE THE SINGLE MWR FUND. BOOKKEEPING AND

ADMINISTRATIVE COSTS WILL DECLINE. INCREASED EFFICIENCY AND REDUCTION OF DUPLICATE/COMPETING FUNCTIONS IS ANTICIPATED. NAVAL TRAINING STATION, GREAT LAKES, ILLINOIS, NAVAL AIR STATION, NORTH ISLAND, CA, AND NAVAL AIR TEST CENTER, PATUXENT RIVER, MD WERE THE INITIAL TEST SITES FOR THE SUCCESSFUL TESTING OF THE SINGLE FUND CONCEPT.

2. DETAILED GUIDANCE HAS BEEN PROVIDED TO MWR FIELD ACTIVITIES TO COMPLY WITH CONGRESSIONAL DIRECTION TO SUSPEND APF SUPPORT TO AFFECTED MWR REVENUE GENERATING ACTIVITIES. A KEY REQUIREMENT FOR SUSTAINING OPERATIONS OF THE REVENUE GENERATORS IS REALIGNING APPROPRIATED FUNDS FORMERLY APPLIED TO THE REVENUE GENERATORS TO THE "HARD CORE" ACTIVITIES SUCH AS SPORTS, FITNESS, YOUTH AND CHILD CARE. CONVERSELY, THE NONAPPROPRIATED FUNDS APPLIED TO THE "HARD CORE" ACTIVITIES CAN BE REALIGNED AS REQUIRED TO SUPPORT THE REVENUE GENERATORS. THE GUIDANCE ALSO IDENTIFIES NEW AND EXPANDING REVENUE SOURCES, AND CONSOLIDATION/EFFICIENCY ACTIONS TO ACHIEVE MORE BUSINESSLIKE OPERATIONS.

3. NAVY HAS COMPLETED A REVIEW OF ITS MESS SYSTEM. THE NAVY'S MESS TASK FORCE FOCUSED ON ACTIONS NEEDED TO ADJUST TO REDUCTIONS IN APPROPRIATED SUPPORT, TO THE CHANGE IN PATRON MIX TOWARD INCREASING FAMILY PATRONAGE, AND TO AN INTEGRATED RECREATION AND MESS CONCEPT OF MWR PROGRAM DELIVERY. REGULATIONS THAT INHIBIT GOOD BUSINESS PRACTICES WERE IDENTIFIED AS REQUIRING CHANGE (E.G. PUBLIC LAW 92-392 WHICH SETS PAY RATES FOR NONAPPROPRIATED FUND EMPLOYEES GENERALLY IN EXCESS OF LOCAL PRIVATE SECTOR RATES AND MANDATES SHIFT, SUNDAY AND HOLIDAY DIFFERENTIALS NOT PAID IN PRIVATE SECTOR). MESSES AT NAVAL AIR STATION BRUNSWICK ME, NAVAL TECHNICAL TRAINING CENTER

Corry Station FL, Naval Station San Diego, CA and Fleet Activities Yokosuka, Japan have already moved toward greater family orientation with initial success noted.

4. Initiatives to "buy smarter" have been implemented. Navy has signed a memorandum of agreement (MOA) with the Air Force which allows Navy MWR activities direct access to the Air Force Central Nonappropriated Fund Procurement Office (AFNAFPO) at Randolph Air Force Base. We expect this type of agreement to be mutually beneficial, affording discounts of up to 50 percent from list prices in many areas. We introduced this program in June, in the Norfolk area and are promoting increased participation through a series of regional orientation sessions throughout the MWR system for completion in October 1987. Further, the single MWR fund concept will allow for consolidating and upgrading procurement responsibility and authority. We are also negotiating quotas for Navy personnel participation in an intensive Nonappropriated Fund Purchasing and Contracting (NAFPC) Course under development by the Army Logistics Management Center (ALMC) at Fort Lee.

5. MWR facility construction initiatives have focused on energy conservation techniques, utilization of standardized designs, and changes to the facility design/review/contract/construction process to expedite the completion and beneficial occupancy of MWR facilities. Standard designs for youth centers have been used at Construction Battalion Centers at Gulfport MS and Port Hueneme CA; for child care centers at Naval Air Stations in Memphis TN and Jacksonville FL; and for playing field complexes at Naval Training Station Orlando FL, Submarine Base Kings Bay GA, Naval Station Guantanamo Bay Cuba, and Naval Station

Philadelphia PA. Standardized designs have also been developed for swimming pools, clubs, play grounds and outdoor sports facilities. Energy conservation techniques are being tested and used at Naval Station San Diego CA (use of occupancy sensors for control of room lighting), and at the Naval Air Stations at Barbers Point HI and North Island CA ("used water" irrigation systems).

6. Many financial management and ADP initiatives are underway. Navy continues to upgrade its central accounting, reporting, banking, and payroll systems to optimize monitoring of activities, use of funds, and cash controls. We've added APF reporting into the nonappropriated fund (NAF) financial statements. A base level management information system has been implemented at 79 bases, with testing of telecommunication capability with headquarters scheduled for completion by September 1988.

7. Initiatives in the MWR management, personnel, training, and career development programs are of top priority since people are the key to successfully operating MWR programs that are customer directed and businesslike. New, creative, youthful management talent is being brought into the system through a new recreation and mess intern program. Over 50 interns participated last year. An improved and increased bonus program has been promulgated. Naval Air Station Brunswick ME, Naval Training Station Great Lakes IL, and Naval Air Station Moffett Field CA have implemented this program most recently.

8. Prominent among other program initiatives are the recently commissioned study of MWR privatization (e.g. third party

FINANCING), RECENT WORKSHOPS AND FOCUS GROUPS TO DEVELOP AND TRADE SUCCESSFUL BUSINESS TECHNIQUES FOR THE OPERATION OF MWR REVENUE GENERATORS, AND IMPLEMENTATION OF A NEW MARKETING AND PATRON NEEDS ASSESSMENT PROCESS ("SMART COMPASS") TO IDENTIFY WHAT PROGRAMS OUR PATRONS WANT OR NEED MOST, TOTAL PROGRAM COSTS, AND EVALUATION OF ALTERNATIVES OFF BASE.

9. OVER THE PAST 11 MONTHS, NAVY HAS WORKED CLOSELY WITH THE OTHER MILITARY SERVICES AND OFFICE OF THE SECRETARY OF DEFENSE (ASSISTANT SECRETARY FOR FORCE MANAGEMENT & PERSONNEL) TO DEVELOP REVISED POLICIES, PROCEDURES, AND SYSTEMS GOVERNING MWR ACTIVITIES. A SPECIAL WORKING GROUP WAS FORMED, CHAIRED BY THE DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR MILITARY MANPOWER & PERSONNEL POLICY, AND COMPRISED OF SECRETARIAL LEVEL AND FLAG OFFICER MWR REPS FROM EACH OF THE SERVICES. THE WORKING GROUP REVIEWED THE PURPOSES, COSTS, STRENGTHS, AND WEAKNESSES OF THE ENTIRE MWR PROGRAM. AGREEMENTS WERE REACHED ON A NEW POLICY FRAMEWORK FOR MWR. THE REPORT OF THIS EFFORT WAS FORWARDED TO THE ARMED SERVICES AND APPROPRIATION COMMITTEES ON 10 AUGUST 1987.

10. CLUBS IN PARTICULAR WILL HAVE THE MOST DIFFICULT ADJUSTMENTS TO MAKE. SOME WILL CERTAINLY CEASE OPERATING AS WE KNOW THEM TODAY, EITHER TERMINATING OPERATIONS ENTIRELY, OR REDUCING SIGNIFICANTLY IN SCOPE. AS EXPRESSED IN THE 10 AUGUST 1987 OSD REPORT TO THE CONGRESS, SOME LEVEL OF APF SUPPORT IS JUSTIFIED FOR ALL CLUBS IN RECOGNITION OF THEIR INSTITUTIONAL VALUES, LIMITED PATRON BASE, RESTRICTED MARKETING CAPABILITIES AND OTHER OPERATIONAL CONSTRAINTS; WARTIME MISSION, AND MILITARY COMMUNITY SUPPORT; AND PROVISION FOR ASHORE ROTATION/TRAINING BILLETS. NAVY CAN REDUCE APF SUPPORT TO CLUBS FROM THE PRESENT LEVEL OF 26 PERCENT OF OPERATING COSTS ($48

MILLION) TO THE 20 PERCENT LEVEL PROPOSED IN THE 10 AUGUST 1987 OSD REPORT ($37 MILLION), AND THEREBY ACHIEVE A SUBSTANTIAL SAVINGS IN APPROPRIATED SUPPORT WHILE RETAINING ESSENTIAL MILITARY CLUB SERVICES AND ASHORE TRAINING BILLETS.

THE PLANS AND INITIATIVES IN THIS REPORT HAVE BEEN COORDINATED WITH THE NAVY'S CHAIN OF COMMAND THROUGH OUR STANDING MWR POLICY BOARD. FURTHER, NAVY LEADERSHIP HAS CONSULTED AT KEY INTERVALS OVER THE PAST FEW MONTHS WITH CONGRESSMAN DAN DANIEL AND HIS MWR PANEL STAFF TO ENSURE THAT OUR INITIATIVES AND DECISIONS HAVE BEEN CONSISTENT WITH CONGRESSIONAL DESIRES AND DIRECTION.

FOR THE PAST TWELVE MONTHS, THE NAVY'S MWR PROGRAM HAS BEEN IN MUCH TURMOIL DUE TO THE EARLIER CONGRESSIONAL CUTS AND DIRECTION. WE HAVE RESPONDED WITH CONCRETE ACTIONS AND PLANS TO REORGANIZE AND ADOPT MORE BUSINESSLIKE STRATEGIES. WHAT WE NEED MORE THAN ANYTHING NOW IS SOME TIME - TIME TO FULLY IMPLEMENT OUR ACTIONS, TIME TO DEMONSTRATE MORE SIGNIFICANT RESULTS, TIME TO "SHAKEDOWN" OUR INITIATIVES. WE NEED A MORE STABLE ENVIRONMENT TO FULLY ABSORB THE CUTS AND DIRECTION ALREADY ISSUED. FURTHER CUTS AT THIS TIME OR SIGNIFICANT ADDITIONAL CHANGE WILL SERIOUSLY DAMAGE THIS MOST IMPORTANT PROGRAM FOR OUR NAVY COMMUNITY'S WELL BEING, WHICH WILL BE VISIBLE IN OUR RETENTION AND READINESS INDICATORS.

WE ARE CONVINCED OF THE EFFICACY OF THE INITIATIVES AND APPROACH WE HAVE TAKEN. NAVY MWR HAS REDUCED ITS RELIANCE ON APPROPRIATED SUPPORT, AND CAN OPERATE IN A CUSTOMER RESPONSIVE, BUSINESSLIKE MANNER. SUCH PROGRAMS CANNOT CONTINUE TO SERVE OUR SAILORS, HOWEVER, IF ADDITIONAL APF SUPPORT IS WITHDRAWN. CONTINUED APPROPRIATED FUND SUPPORT AT CURRENT LEVELS IS ABSOLUTELY CRITICAL OVERSEAS AND IN NON-METRO AREAS OF THE U.S.

As USCINCEUR stated last month, "The record shows that failure to make overseas assignments attractive results in trained people not remaining long or opting to separate rather than come overseas. Keeping the best possible military resources overseas is our most effective weapon, and MWR programs significantly help meet this objective. Proposed MWR funding policy, without special consideration for overseas conditions, may require an MWR downscale to meet adverse impacts, or else pass the cost of these essential military programs to service members and their families. It would be unfair to ask enlisted personnel and junior officers to pay to serve overseas." Continued appropriated fund support for ALL non-revenue generating MWR activities is crucial. Our MWR programs and facilities are key in our maintaining a decent quality of life that alleviates some of the pressures and instabilities of the military life style. Our people are entitled to the same quality of life they are pledged to defend.

I ask for your assistance and support, and that we be allowed time to fully implement the plans articulated in the 10 August 1987 OSD report and 7 May ASD(FM&P) letter before any other Congressional actions are taken.

TOTAL NAVY APF SUPPORT TO MWR ACTIVITIES
($ in millions)

	FY-86 (ACTUAL)	FY-87 (EST)	FY-88 (PROJ)
BOWLING	5.2	4.9	3.1
CHILD DEVELOPMENT	5.2	5.4	6.6
GOLF	2.7	2.6	1.4
LIBRARIES	2.2	2.7	2.8
MARINAS	1.8	1.8	1.2
MESSES (CLUBS)	58.8	60.7	40.5
OTHERS*	124.8	105.9	126.6
TOTAL	$200.7M	$184.0M	$182.2M

* Others include: athletics, fitness, afloat recreation, recreation centers, youth, outdoor recreation, crafts, swimming, etc.

Senator Glenn. Thank you very much, Admiral. The next witness is Lt. Gen. Thomas J. Hickey, Air Force, Deputy Chief of Staff, Personnel.

General.

STATEMENT OF LT. GEN. THOMAS J. HICKEY, USAF, DEPUTY CHIEF OF STAFF, PERSONNEL

General Hickey. Thank you, Mr. Chairman. It is a pleasure for me to be here before this committee again and particularly to present the Air Force views on what we think is an extremely important issue, because we agree, as the other witnesses have already said, that MWR is directly related to the quality of life and hence the morale of the troops and, we think, therefore, the productivity of those who stay as well as the retention value that we get from those who stay in our overall readiness.

I thought maybe for a second I would just go back over and review the bidding of what has gone on over the last couple of years, and perhaps I may even have a few mea culpas that, at least on the part of the Air Force, that we need to put out.

As you know, Mr. Chairman, since 1985 the Congress, particularly the House, has been deeply involved in MWR issues. In 1986 as a result of those 1985 hearings, they threatened very deep cuts if the military did not start cleaning up their MWR act and make some significant reforms.

The things that we did do were not convincing, and so in fiscal year 1987 the conference committee of the armed services between the House and Senate in fact proposed a $17 million cut, and the Appropriations Committee in their conference in fact reduced appropriated fund support by about $69.5 million DOD-wide, which was about $21.5 million for the Air Force.

Even more importantly, they proposed legislation which became P.L. 99-591, which prohibits the use of the appropriated funds in revenue generators in our metropolitan areas effective October 1. That turns out, as near as we can tell, to have about a $38 million cut impact on the Air Force for fiscal year 1988 on just those activities.

Bluntly, Mr. Chairman, we in the Air Force think that such pressure on the services to clean up their MWR act was necessary. As a matter of fact, it probably took about 2 years to really get our attention. I would like to assure this committee, though, that we are now well focused on fixing our MWR programs.

We in the Air Force did a special study which we started last November and completed in February of this year. We came to essentially the conclusions that you have seen in the August 10 letter which DOD forwarded over here. We think that it addresses the basic concerns of the Congress, and we are very much convinced that it is a program which will provide the quality of MWR that our people need at affordable fees while stopping the appropriated fund growth of recent years.

The recent DOD submission on MWR programs in our view within the Air Force is the right way to go. It offers the efficiency and the discipline required to run and maintain a credible MWR program.

While the recent cuts and directions from Congress may have now produced the right kind of results from the services, I think you also need to know that the congressional cuts and the directions which we have had and the restrictions have had a traumatic effect on morale and on some of the individual activities in places unfairly distributed within the forces.

A clear description of that condition is contained in the September 22 letter from General Chain, who is the Commander in Chief of Strategic Air Command, to General Welsh, the Air Force Chief of Staff. I would like to read just a couple of paragraphs from that letter, if I might. I apologize for not having this letter to put in my formal remarks. I got it after my formal remarks were submitted. I have copies, and I would like to make it a formal part of the record.

Senator GLENN. It will be part of the record.

General HICKEY. The letter goes as such, and I will take just part of it.

> DEAR CHIEF: The concern over the potential loss of appropriated fund support for our revenue-generating MWR activities continues to grow. It was the number one concern voiced by our wing commanders during the recent SAC commanders conference.
>
> Those wing commanders emphasized that the reduction of MWR support is being viewed by our people in the field as a breach of faith on the part of the U.S. Congress.
>
> MWR activities are seen as part of a basic contract with our people, as are pay and allowances, commissary, exchange and medical treatment. The loss of part of the basic contract without a commensurate offset, such as an increase in pay and allowances, further erodes our peoples' purchasing power and is viewed very seriously.
>
> The impact is heightened by the fact that pay and allowances have also fallen substantially behind pay comparability—also viewed as another breach of faith.
>
> Our congressional leaders need to understand the importance the basic interrelationship of the various elements which make up the basic "contract" with our

people in uniform. They constitute the basic foundation for the support and sustainment of our personnel force structure.

The seemingly indiscriminate loss or reduction of any one of these elements without consideration for the impact on effectiveness of the overall "contract" just does not make sense to our people and impacts morale, productivity, retention and combat capability.

The wisdom of the reduction of APF support to MWR is seriously challenged when one considers that the savings would be more than offset if this action is the final straw in the equation that causes just seven more pilots to separate. This does not even consider the loss of experience and productivity associated with the adverse impact on morale across the board.

I will quit at that point, sir. The whole point is that our field commanders are extremely concerned at all levels. We think that there is a bottom line in all of this, and that is that we now have a DOD plan and program, and we need time to implement it, as Admiral Edney said. We think that we can do it even if we are camped at 1987 levels of the appropriated fund support.

Second, we need some relief from the very highly restrictive language that is in some of the laws, particularly in the ability that we have to support revenue generators in large metropolitan areas or one of those areas in which we think relief is certainly appropriate. We would ask your help in obtaining that.

[The prepared statement of General Hickey follows:]

PREPARED STATEMENT OF LT. GEN. THOMAS J. HICKEY, AIR FORCE DEPUTY CHIEF OF STAFF FOR PERSONNEL

Good morning Mr. Chairman, I'm General Tom Hickey Air Force Deputy Chief of Staff for Personnel. I would like to take this opportunity to familiarize you with the Air Force MWR program and our plan to comply with recent congressional guidance in this area.

Today's Air Force is better trained, managed and organized than ever before. To maintain this posture requires a comprehensive compensation package consisting not only of pay and monetary benefits but also those institutional benefits that enhance military life, foster a sense of pride in the military profession and directly contribute to mission effectiveness. Our No. 1 goal is readiness and the heart of readiness is people.

There is a direct correlation between those things that contribute to morale, a high quality lifestyle and readiness. The morale, welfare and recreation program is one of these. These programs provide military personnel with wholesome activities to help them endure the stresses associated with the hardships such as, family separations, overseas duty and the absence of an extended family or hometown community commonplace in a military life. In the Air Force we operate a wide range of MWR programs ranging from those that contribute directly to the mission such as gyms, fitness centers, libraries and child care centers and those that contribute to the mental well-being of the military community such as the officer and enlisted clubs, auto hobby shops and other social recreation programs.

Our concept is to provide a certain level of MWR program at every location based on practicality and need. Larger bases have larger programs because of greater needs and ability to generate income to fund more extensive programs. Our smaller locations receive special consideration because of their relative isolation in most cases and their inability to generate enough income to provide for their own support.

The Air Force program operates according to the concept of centralized policy and program guidance with decentralized operation and execution. We feel the local commander is in the best position to determine the needs for his particular mission environment and to marshal resources to address the needs of his people.

Funding is executed through a combination of appropriations and fees and charges paid by the military member and his family. During the past several years the patron's share of the cost has been approximately $2 for every $1 of taxpayer support. This compares to 71 percent provided from the tax base by municipal governments versus 29 percent provided by the patron as reported in a recent study conducted by the National Park and Recreation Association in conjunction with North Carolina State University. We think that those activities that directly support the mission such as gyms and libraries should be provided without charge to the patron. While DOD and Air Force policy provides that the costs for these programs can be provided from appropriations seldom does approved funding permit it. This results in a portion of their cost being provided out of funds generated in activities such as Class VI, bowling and golf. A funding symbiosis has developed where those things that are capable of generating money support those that are not. Over the years this system has worked well and has provided the local commander the framework to balance funding priorities to provide for the needs of all segments of his community.

Congressional guidance in the fiscal year 1987 Defense Authorization and Appropriations process will require a complete revamping of the Air Force MWR system. Action precluding APF support to revenue generating activities such as golf courses, bowling centers, marinas, and open messes in metropolitan areas will generally reduce the scope of their operation and increase fees. This could mean that many of these activities would have to be closed. Action requiring them to be self-supporting will deny use of their revenues to support nonrevenue generating activities such as youth centers and libraries as in the past. This will most certainly result in a reduction in hours operated and service provided to the users of these activities. It will also mean an increase in fees and charges to the military member and his family. A review performed by one of our commands indicated these increases will cost each of their members $27 more per month. This effectively nullifies the projected 3 percent pay raise for airman E-5 and below and is on top of the recent Variable Housing Offset and out-of-pocket expenses for permanent change of station moves with the elimination of temporary living entitlements for the majority of the force. Congressional guidance is that taxpayer funds should not be provided to support activities which duplicate those that are operated outside of the gate. This guidance does not consider the fact that most metro bases are in a high cost area where the military member's paycheck is already strained. Many lower enlisted and young officers have a difficult time making ends meet in these areas and cannot afford prices off base. This concept also does not consider the fact that many of these programs are supported by taxes in the surrounding community. Most off-base facilities are already overcrowded and couldn't accommodate the military community anyway. Finally, the law providing different funding levels at metro and nonmetro bases results in inequitable treatment to our personnel. Bases only a few miles apart will be classified differently and receive different levels of appropriations. Different patron fees in these circumstances will be difficult for our people to understand.

Notwithstanding the turmoil it has caused, the Air Force has developed a plan to comply with congressional guidance and the Public Law. In November 1986, the Air Force Chief of Staff directed a special task force under a general officer to perform a detailed, top-to-bottom review of our program. This study resulted in 48 initiatives to streamline the current operation and to bring Air Force program into compliance with congressional guidance.

While the Air Force plan postures us to comply with congressional dictates it does so with a considerable degree of difficulty and turmoil. To moderate the disruption we request consideration in a number of areas to permit the services to continue to operate these important programs.

We ask for repeal or modification of section 9102 of Public Law 99-591. We understand from the appropriations committees that although it was not their intent, the language precluding use of appropriations in revenue generating activities after September 30, 1987 will require reduction in force of 176 civilian managers and reassignment of 91 military managers. This will result in a complete loss of management expertise in these areas and will severely impede our ability to make the programs self-sustaining. The loss of 91 military personnel in metropolitan areas of the CONUS will also severely strain our capability to sustain those required overseas and in isolated areas. In precluding support to officer and enlisted clubs, the legislation does not recognize the contribution they make to the military mission. In wartime Air Force clubs convert to dining halls to bolster a shortfall in troop feeding capability necessitated by the large force build ups. In peacetime clubs serve as meeting places for organizational and military functions, community relations and protocol functions as well as providing base feeding capability. Previous funding policy recognized this fact and authorized appropriations for management as well as for kitchen equipment and supplies in support of this mission.

We also ask that Congress recognize differences between the services. Each of us has developed different programs and systems to accommodate their individual needs. The Navy from their ships, us with our fixed bases. While we are currently engaged in several mutually beneficial joint ventures, the Air Force is opposed to any proposal that would merge the programs or organizations into a joint service operation. MWR programs are best run on an individual service basis; in this case, bigger would not be better, and would further remove the commander from the decision process.

Finally, we ask that we be given time to take necessary actions to implement the required changes and to develop or upgrade our business management systems. Time is necessary to reduce the impact on our people and to demonstrate our ability to improve even further our capability to manage cost effectively.

For these considerations we pledge to continue to get the most for every dollar spent and to be more businesslike where conditions warrant.

TOTAL APF SUPPORT TO MWR ACTIVITIES

[In millions of dollars]

	Fiscal year 1986	Fiscal year 1987 through third quarter	Fiscal year 1988 projected
Open messes	76.1	60.1	
Athletics	53.9	39.8	
MWR support staff	55.4	42.2	
Golf	25.5	16.2	
Recreation centers	24.5	18.4	
Arts and crafts	18.9	13.9	
Libraries	17.9	12.8	
Bowling centers	17.0	12.6	
Outdoor recreation	15.4	12.9	
NAF financial management	12.5	9.6	
MWR supply	10.9	8.8	
Youth activity	10.8	7.2	
Child care center	10.3	8.2	
Others	9.9	5.9	
Total	[1] 359.0	[1] 268.6	[2] 366.5

[1] Includes capital support of $15.6 for fiscal year 1985 and $11.5 for fiscal year 1987.

[2] Doesn't reflect APF reductions to revenue generators.

Note.—Others include; audio clubs, class VI, aero clubs, MWR central procurement, MWR inspection, rod and gun clubs, hunt and saddle clubs, etc.

Average NCO, Bergstrom

Staff sergeant, 8 years service, married, one child (4 years old), wife works, lives in base housing:

Net income increase (projected 3 percent raise, January 1, 1988)	$34.36
MWR fee increases (fiscal year 1987 TC fiscal year 1988)	27.88
Net gain	5.51

Senator **Glenn**. We will come back to some of that later. Thank you very much.

Col. T.E. Angle, Marine Corps, Director of Morale and Support Division, Headquarters, Marine Corps.

STATEMENT OF COL. T.E. ANGLE, USMC, DIRECTOR OF MORALE AND SUPPORT DIVISION, HEADQUARTERS, U.S. MARINE CORPS

Colonel **Angle**. I would like to deviate from my pitch just a little bit to tell a short sea story, if that is alright.

Senator **Glenn**. A short sea story. Sea stories have a way of getting elongated.

Colonel **Angle**. No, sir. Two years ago I relinquished command of the Marine Aircraft Group 36. It is an unusual aircraft group stationed in Okinawa. It is comprised of 3,000 troops, 70 aircraft, and a mix of both fixed wing and rotary wing aircraft, so it is somewhat complex.

What makes it even more interesting is the fact that the flying units stationed there are on a 180-day rotation cycle. That allowed me to see 12 squadrons in my 1-year tour as commander of that air group.

It was my practice, when this air group or when the squadrons would come in, to meet them and bring them down as a unit to the station theater where I talked to them about their tour of duty. They had 180 days to do a lot of things in the West Pacific operating area. Many of them were going to go to Team Spirit in Korea. Many of them were going to go to the Philippines and operate in a very hot climate down there.

I was concerned about their working habits and their play habits. Okinawa had changed over the years from a period of wartime atmosphere where bars and nightclubs were the thing that troops went to to more of a civilized, wholesome atmosphere where the Japanese were making sure that their daughters were in at night and our marines were staying on base.

I would like you to remember back to the 1973–74 timeframe. We were coming out of Vietnam at that time, and Kin Village in the northern part of Okinawa became part of the headlines. We had a lot of difficulty adjusting to the civilian atmosphere of Okinawa compared to Vietnam. It was that thought I had in mind when I was talking to the troops in the 1984–85 timeframe; their work habits and their play habits.

One of the things that helped me to successfully get through my tour in Okinawa was our MWR program. The reason that it helped was because it provided activities for those marines in their spare time, what little there was.

In fact, the neat thing about that program was that there were over 180 separate activities for marines to participate in 180 days.

Senator **Stevens**. Colonel, you realize that none of the restrictions we are talking about here apply to overseas, particularly to Okinawa, do you not?

Colonel **Angle**. I know. I am leading to a point. The morale that was generated by the program was such that in 180 days these men were totally successful. They participated in three major exercises in the West Pac area. After coming back from Team Spirit, the Free World's largest exercise, they turned and prepared for inspection and excelled in that inspection like I have never seen before.

The difference between the 1973–74 timeframe and the 1984–85 timeframe, I feel, was the difference between the magnitude of our MWR programs; greatly increased and very significant in their impact.

Having said that, I would like to get into my prepared statement, and I will truncate that to save some time.

The Commandant has recently stated to the Senate Armed Services Committee that the marine continues to be our most precious resource and that we will continue to prove our quality of life efforts.

The scope of our program includes specific activities for the military member which have a relationship to fitness, esprit and support mission readiness, activities and facilities which support overall well being of the military community and enhanced activities similar to those found in the civilian community but not always accessible or affordable to the military community.

Our philosophy is to provide levels of programming at each installation. This is accomplished through local installation distribution of exchange profits, nonappropriated funds from the headquarters central fund, and local appropriated funds.

The size of the installation MWR program is determined by the installation commanders. They have a better understanding for their local needs, and they also have control over local resources, both personnel and funds. Special consideration for NAF support is given to small installations which are not capable of generating enough nonappropriated fund income to support the remainder of the basic MWR program.

We are concerned about the reduction of appropriated funds because we see it having a giant ripple effect that eventually will reduce or eliminate delivery of those basic MWR activities. As appropriated fund support is reduced, nonappropriated funds use must be increased. Fees and charges throughout the program will have to be increased but only as much as the market will bear.

In high cost metropolitan areas, this will definitely reduce the eligible patron base and the overall ability to support nonrevenue-generating activities like fitness centers, sports, libraries and child care.

In the overall compensation package that the service member evaluates as part of his or her quality life, their day-to-day buying power will be reduced.

The Marine Corps is in the process of consolidating its club, special services and exchange staffs at the installations and headquarters. This will permit the operations of a single nonappropriated fund. The single fund concept provides a financial and management focus which will allow the installation commander the ability to respond effectively to changing demands without previous burden of separate pockets of money.

At the installation level, management administration of the installation MWR program will be under a single MWR director aligned with command channels immediately under the supervision of the commanding chief of staff or the executive officer.

The integration of all MWR services, product sales, merchandising, food and hospitality services, recreational services and common support services will allow for better management of the use of appropriated funds in support of MWR programs and increase the efficiency in operations and management of the generation of nonappropriated funds.

Congress has asked that we strive to operate in a businesslike manner. There are numerous constraints, however, which prohibit the full application of operating in a businesslike manner. While some of these constraints are in the form of congressional directions, other exist because of governmental bureaucracy in many phases of MWR management and operations.

We are taking positive steps to operate in a more businesslike manner. What we need now is time, time to implement our policies and procedures. We need a stable environment to evaluate the results, and further funding restrictions will only hamper our efforts and will impact upon our ability to sustain the quality of life programs, personnel retention and readiness.

Thank you, sir.

[The prepared statement of Colonel Angle follows:]

PREPARED STATEMENT OF COL. PETER ANGLE, DIRECTOR, MORALE SUPPORT DIVISION, DEPUTY CHIEF OF STAFF FOR MANPOWER

Good morning Mr. Chairman, I'm Colonel Peter Angle, Director of the Morale Support Division, and serve on the staff of the Deputy Chief of Staff for Manpower.

Historically, the Marine Corps has considered the morale, welfare and recreation (MWR) program as an integral part of quality of life for Marines and their family members. There is a direct correlation between quality of iife, mental well-being, and the ability to go into battle; the whole purpose of the existence of the Marine Corps. The Commandant recently stated to the SASC that the Marine continues to be our most precious resource and that we will continue to improve our quality of life efforts.

The scope of our program includes:

A. Specific activities for the military member that have a relationship to fitness and esprit and support mission readiness.

B. Activities and facilities that support the overall well-being of the military community.

C. Enhanced activities similar to those found in the civilian community, but not always accessible or affordable for the military community.

Our philosophy is to provide certain levels of programming at each installation. This is accomplished through local installation distribution of exchange profits, nonappropriated funds (NAF) from the headquarters central fund, and local appropriated funds.

The size of the installation MWR program is determined by installation commanders. They have a better understanding of the local needs of the military community as a whole. They also have control of local resources, both personnel and funds. Special consideration for NAF support is given to the small installations that are not capable of generating enough NAF income to support the remainder of the basic MWR program.

The fiscal year 1987 Defense Appropriation Act, section 9102 of Public Law 99-591, directed a $69.5 million cut in appropriation fund (APF) support to the services' MWR programs. Marine Corps share of that cut was $3 million. The funding reduction was specifically directed at MWR revenue generating activities; e.g., bowling, golf, marinas, clubs, etc., in metropolitan areas of the U.S. The Act further directed the services suspend all APF support to these revenue generators by September 30, 1987, $1.9 million for the Marine Corps.

Additionally, the House Armed Services Committee (HASC) report on the National Defense Authorization Act of 1987 (House Report No. 99-718) directed minimization of APF to revenue generators worldwide; i.e., not just in metropolitan areas.

The specific language in the Defense Appropriation Act and HASC report limits discretionary management action of installation commanders. Neither requirement takes into consideration the accessibility or affordability of off base services or programs. The end result will be reducing or even curtailing certain base revenue generating activities.

What we will have is a giant ripple effect that eventually will reduce or eliminate the delivery of basic MWR activities. As APF support is eliminated, NAF must be used; fees and charges throughout the program will have to be increased, but only as much as the market will bear; in high cost metropolitan areas this will definitely reduce the eligible patron base and the overall ability to support nonrevenue generating activities; like fitness centers, sports, libraries, child care, etc. In the overall compensation package that the service member evaluates as part of his or her quality of life, their day-to-day buying power will be reduced. Unlike their civilian counterparts who have a municipal tax base to support community recreation services like swimming pools, golf courses, marinas, etc., the military community will be "taxed" through increased NAF user fees throughout the MWR program.

Another serious impact from the legislation is the loss of management and operational personnel in our club systems. These individuals are a necessity. They preform essential dining functions that are to support our wartime mission because of limited troop feeding capability. Without their experience and use of our club dining facilities, our feeding capability will be greatly reduced.

The Marine Corps is in the process of consolidating its club, special services, and exchange staffs at installations and headquarters. This will permit the operations of a single nonappropriated fund. This single fund concept provides a financial and management focus which will allow the installation commander the ability to respond effectively to changing demands without the previous burden of separate pockets of NAF. At installation level, management and administration of the installation MWR program will be under a single MWR director aligned within command channels immediately under the supervision of the command chief of staff or executive officer. The integration of all MWR services, product sales, merchandising, food and hospitality services, recreational services, and common support services will allow for better management of the use of APF in support of MWR programs, and increase efficiency in the operations and management of the generation and use of NAF.

The Congress has asked and we are striving to operate MWR activities in a businesslike manner. There are numerous constraints, however, which prohibit the full application of operating in a businesslike manner. While some of those constraints are in the form of congressional directions other ones exist because of governmental bureaucracy in many phases of MWR management and operations (personnel recruitment and utilization; construction time frames; procurements; prohibition of competition with the private and commercial sector; use of commercial sponsorship in connection with MWR events and sports).

We are taking positive steps to operate in a more businesslike manner. What we need now is time. Time to implement our policies and procedures. We need a stable environment to evaluate the results. Further funding restrictions will seriously hamper our efforts and will impact on our ability to sustain our quality of life programs, personnel retention, and readiness.

CONSTRAINTS ON DOING BUSINESS

Constraint	Law/directive	Impact
PERSONNEL		
Certain NAFI employees must be paid "prevailing rate" wage.	5 U.S.C. 5341	Increases cost to NAFIs.
NAFIs must pay for one of the most favorable workers' compensation programs in the country.	5 U.S.C. 8171, and 33 U.S.C. 901 et seq.	Higher costs to NAFIs.
Provides personal property loss and damage entitlements to NAF employees.	31 U.S.C. 3701	Liberal entitlements for which NAFIs are liable.
Qualifications for positions	OPM Standard X118	Many times prevents selecting best person for the job, especially when selecting from Civil Service Registers.
Performance appraisal rules	5 CFR, Part 430	Limits employee appraisal, awards/incentives.
Pay levels directed	5 U.S.C., Chapters 53 through 59, and 29 U.S.C. 201 et seq.	Minimum wage and specified pay levels must be paid increasing costs to NAFIs.
Equal Employment Opportunity	42 U.S.C. 2000e et seq	Increased administrative workload.
Lobbying prohibited	18 U.S.C. 1913	Cannot lobby for own interests.
Disciplinary action/firing rules	5 U.S.C. Chapter 75, and DOD Manual 1401.1.	Excessive administrative workload, firing practically impossible.
Rules for use of part-time help	DOD Manual 1401.1	Greatly reduces flexibility of use of part-time employees, plus increases administrative workload.
Cannot use volunteers in some MWR areas, e.g., child care to meet staff-child ratios and reduce cost to patrons.	OPM Directives	Higher costs to patrons.
Employment procedures overseas	DODI 1400.23	Selections must be from a priority list of eligibles—cannot always hire best candidates—forced to hire dependents.
Tipped employee rules	29 U.S.C. 201 et seq, DOD Manual 1401.1.	Excessive administrative workload.
Compliance and complaint	29 U.S.C. 201 et seq, DOD Manual 1401.1.	Increases administrative workload.
Overtime payment requirement	DOD Manual 1401.1	Increases cost to NAFIs.
Portability limitations	5 U.S.C. 2105(c)	Precludes free interchange of Civil Service and NAF employees.

CONSTRAINTS ON DOING BUSINESS—Continued

Constraint	Law/directive	Impact
Employment of relatives restrictions	5 U.S.C. 3110	Precludes employment of qualified individuals if they are relatives.
Employment of retired members of Uniformed Services.	5 U.S.C. 3326	At times precludes employment of best qualified.
PROCUREMENT		
NAFIs required to procure alcoholic beverages from in-state sources.	P.L. 99–190, title VIII, section 8099.	Reduces NAFI margins on beverage sales.
Requirement for NAFI contractor to take certain environmental steps which have associated costs.	42 U.S.C. 7401 et seq, and 33 U.S.C. 1251 et seq.	Raises cost of NAFI contracts.
Requirement for NAFI contractor to take action to employ handicapped individuals.	29 U.S.C. 793	Raises costs of NAFI contracts to do this.
Requirement for NAFI contractors to include requirement for eight-hour days and overtime for contractor employees as well as safety program.	40 U.S.C. 328	Raises costs of NAFI contracts.
Requirement for NAFI contractors for construction, alterations, and for repair to pay contractor employees Secretary of Labor determined wage rates.	40 U.S.C. 276a	Raises costs of NAFI contracts.
Requirement to pay interest if debts are not paid within prescribed time periods.	31 U.S.C. 3801 et seq	Raises costs to NAFIs.
Requirement that most appropriated fund purchases of and contracts for property or services be made by formal advertising.	10 U.S.C. 2304(a)	Government must accept lowest lump-sum bid and is not privy to contractors' cost estimating.
Requirement to purchase U.S. origin products	41 U.S.C. 10a-d	Increases costs to NAFIs and patrons.
Requirement for NAFI contractors to take action to employ and advance in employment disabled and Vietnam-era veterans.	38 U.S.C. 2012	Increases cost to NAFI contractors to do this.
CONSTRUCTION		
Prohibition of A–E firm that designed a project to construct it without agency head approval (SAF).	FAR 36.209	Loss of time and increased costs to NAFIs.
Requirement to report projects planned for construction contract awards.	DODI 7700.18	Loss of time and increased costs to NAFIs.
Requirements for contractors to meet various clauses and specifications.	Various Statutes and DOD Directive.	Loss of time and increased costs.
Requirement for varying levels of project approvals.	DODI 7700.18	Lost of time causing increased costs.
Square footage and criteria limitation for facilities.	DOD 4270.1–M	Cannot always build for what is needed.
MISCELLANEOUS		
Requirement to share vending machine income, and accord vending facility operation priority, and include vending sites in certain construction projects for the blind.	20 U.S.C. 107	Loss of revenue to NAFIs.
Limitations on amount and type of equipment authorized from appropriated funds.	DODD 1015.6	Cannot always be responsive to need.
Restrictions on types of goods and services that can be sold.	DODI 1330.18	Reduces potential income and services.
Restricted to limited patronage	DODI 1015.2	Reduces potential income and services.
Restricted advertising	DODI 1015.2	Reduces potential use and income.
Required to operate non-standard hours, weekends, holidays, support alerts, mobility exercises, base missions.	DOD/USAF policy	Increases cost of doing business.
Cannot hold commercially sponsored events without numerous restrictions.	DODD 5500.7	Reduces activities for patrons and support which can be accepted.

U.S. MARINE CORPS APPROPRIATED FUND SUPPORT TO MORALE, WELFARE, AND RECREATION ACTIVITIES

[In thousands of dollars]

Activity	Total fy 1986 appropriated fund support	Appropriated personnel	
		Civilian	Military
CPS	$140,945	0	0
Recreation:			
Bowling	1,314,099	$318,645	$276,885
Stables	542,031	96,337	368,280
Golf	580,202	83,325	0
Marinas	904,467	555,953	156,076
Child care	930,484	415,798	0
Theater	811,884	111,206	265,461
Library	1,124,000	566,992	88,130
Gym/intramural	2,963,243	234,554	1,913,621
Youth activities	28,904	0	0
Arts and crafts	1,639,124	446,229	557,596
All others	16,197,059	3,699,961	7,801,720
Total recreation fund	27,035,497	6,529,000	11,427,769
Clubs:			
Officers	3,255,998	615,412	1,038,004
Enlisted	7,278,804	756,556	2,394,661
Total open mess	10,534,802	1,371,968	3,432,665
MWR administration support	3,774,973	1,259,586	1,147,710
Temporary lodging facility	165,115	62,872	0
Grand total	41,651,332	9,223,426	16,008,144

Senator GLENN. Thank you very much.

We will have our questions now. As usual in this committee, we will go in the order of attendance on the basis of when people showed up. I will start off first with questions of General Hickey.

I get around to the bases, too, and you read from that letter there are about the breach of faith in Congress. I think you said or your statement says that you agree that the services needed to clean up their act on MWR management, but you say also that congressional action has hurt morale in the field. The letter you read from charged us with a breach of faith here which is pretty serious type talk.

It seems a little inconsistent to me to say that they have to clean up their act and that the management has to clean up its act and the hierarchy has to clean up its act in the military and at the same time blame Congress pretty much for this breach of faith.

We are trying to work these things out together with the military, not to be on an adversarial basis. No one wants to make certain any more than we do that MWR is carried out in the way that it should be carried out.

I think it is pretty easy for the commanders out there in the field to be throwing around charges like breach of faith of the Congress, which sells well out there with the troops in the field, when we are trying to work out things here and make sure that it is put on the proper basis.

No one supports the troops in the field any more than we do. That is our mission right here. I think General Lukeman's testimony has some information in it about how much more efficiently we could manage this thing. We might toss it right back out to some of the commanders, General Chain and some of the rest of the people. Instead of saying breach of faith, why do they not manage their funds a little better and make better use of it.

Are the officer clubs kept open 24 hours a day when they do not need to be? I do not know. I have heard some of those stories at some bases where they have to be kept open. Maybe because there is a lot of transient traffic, that is necessary in some places.

I think, however, that we need to examine this breach of faith pretty carefully. Maybe there is some lack of management out there, too.

Would you care to comment on that?

General HICKEY. We agree, Mr. Chairman, that we had management acts that needed to be cleaned up. We agree with that.

The reason that it emanates, unfortunately, the way that it does is that what the Congress did, I think, to get our attention and to assure us that they were serious, was to make some fairly healthy cuts and to make some very restrictive rules which went directly to the heart of the troops.

Up until that time there may not have been the most efficient management in the world, but the quality of the things that were going to the troops was all right. It was just that we were using too much appropriated funds to do that.

My point in my own statement was that now that we have it going, now that we are trying to work cooperatively, as all of us have said, we need the opportunity to put those things in proper management order.

Senator GLENN. I am not here to use my time to defend the Congress on this, nor will I, but I would submit also, and I guess this is on a political basis, that the Commander in Chief has decreed that all things will, as much as possible, be supported locally, whether it is in our society in cities, counties, whatever. The military has faced up to some of that.

What we face up to are military appropriations here, in which Senator Stevens is very much involved, of course. He is the key figure on that over on the other side on another committee. What we have to decide, are we going to buy another tank? Are we going to put it in MWR? We have aircraft. We have morale, welfare and recreation. When percentage cuts go across the board, you have seen nothing until you see Gramm-Rudman hit one of these days and we start sequestering everything.

So this is going to be some bearing of the burden here, and we are not going to have the luxury of just voting funds that I would personally like to see in there.

So there are some tough choices that we are up against around here, and I am sure that will be addressed a little later in the hearing.

Let me get back to a little detail, General Lukeman, on the categories that you submitted over here a little while ago. You might take that chart down off there so we can see those again.

I am very interested in these categories which you have broken down as A, B, C and D. Do you see those as being an addition? This would be superimposed on keeping the metropolitan area concept in place, or would this replace that to make better use of funds?

I like your categorization, although we could argue over one or two points.

I would also like you to address what percentage of funds you would allocate to that. Do you allocate 70 percent of funds to A and B or 70 percent to A, 60 to B, nothing to D? How do you break down your allocation, particularly of appropriated funds?

General LUKEMAN. With regard to the metropolitan areas, sir, we would like to repeal the metropolitan restriction because we know that we could save money under our system.

Senator GLENN. It would appear to me this is a pretty good idea, whether you have the metropolitan idea or not.

General LUKEMAN. I agree with that, sir.

Senator GLENN. How do you break down the percentage of appropriated funds that would go into these?

General LUKEMAN. The easiest place to start is over on the right with the business activities. Except for certain overseas costs that are generally permitted, which is shipping material overseas and utilities and military and civilian personnel, there would be no appropriated funds going into those on the righthand side except for indirect costs such as pest control and fire and security, things that have to exist anyway on the military base.

Basically, they would be self-supporting except for overseas activities with limited support.

In the case of the first category, A, these would be essentially 100 percent appropriated funded.

With B and C, the way it works is we take each one of those areas———

Senator GLENN. If I could interrupt, in A, do you break this down between overseas and continental limits of the United States? Overseas is exempted, as Senator Stevens said before.

Would you try to do this same thing in overseas bases?

General LUKEMAN. Category A activities would be authorized almost 100 percent appropriated fund support, both CONUS and overseas.

Senator GLENN. The same breakdown. Okay, go ahead.

General LUKEMAN. It is just that in overseas bases, there are certain appropriated fund support, such as utilities and transportation of things that would be permitted to all categories A through D.

In B and C, what we have done is broken down for each area, such as the arts and crafts skill development, the various categories of maintenance, repair, military personnel, civilian personnel, supplies, equipment and so forth. We have said that for each one of those, with a rather complicated matrix, appropriated fund support either is or is not permitted in that specific area for that specific purpose.

So we have not computed what the percentage would be, and it would vary among the various activities there.

We know that child care right now is about 30 percent appropriated fund support and about 70 percent nonappropriated fund support, to give an example.

Senator **Stevens**. Child care was not affected by the restriction anywhere. I heard several comments this morning about child care and a few other things.

There have been some unfortunate statements here this morning, Mr. Chairman, because that amendment that we had did not apply to any child care, any gymnasiums, any motion pictures that were not revenue producing, and we specifically defined the area where they did apply in metropolitan areas with the concurrence of the Department of Defense.

So I think you gentlemen have gone further with this than the decision that was made last year to reduce appropriated funds by 5 percent and apply it to only the metropolitan centers and only to some revenue-producing areas.

Mr. Chairman, I congratulate them on thinking about it, but I think you are going to get more hell out of this than with what we did last year.

General **Lukeman**. I am sorry that the Senator was not here when I was talking about some of the unintended effects on some of the metropolitan areas. It probably would be inappropriate to go through it again, but we think we have a better plan. It does save money and, in fact, we are pledged to keep it in real terms at not above the 1987 level. In fact, the 1988 level would be less than the 1987 level.

To go back to the chairman's questions, by determining each element of expense where you are permitted to put appropriated funds for a specific purpose, we will have a percentage of support that may vary somewhat from one base to another.

Child care falls out at about 30 percent right now, and would be slightly increased, we believe, under our plan. Each one of those changes slightly because of——

Senator **Glenn**. Let me skip around a little. I did not want you to run through every one of them. I was interested in the general categories. We could argue what belongs in exactly what category, but you would have different percentages of appropriated funds to each one of those?

General **Lukeman**. Yes, sir.

Senator **Glenn**. Some would be self-supporting completely, of course.

Let me ask you. Shifting gears here, there is a big difference in appropriated fund support for MWR activities from one service to another. I was rather surprised at these figures. Maybe there is some reason for this. I do not know, but I would appreciate your comments or those of anyone else here on it.

According to the figures we have been given, the Army receives the most appropriated fund support for MWR activities, $575 million or $738 per soldier per year. The Air Force is next with $652 per airman per year. The Navy comes in at about half that, $415 per sailor per year, and the Marine Corps comes in at $243 per marine per year.

Now, what accounts for those differences? Maybe the Navy gives part of the support to the Marine Corps, so maybe that is a factor there, but even if you combine the two figures of the Navy and the Marine Corps, it still comes out to about half of what the others are or less than that.

Why the difference from one service to another?

General **Lukeman**. I can address it a little bit and then ask my colleagues to comment, if they would.

Location has something to do with it, sir. The Army, for example, has a very significant number of troops overseas. The Navy situation, being relatively lower, has a lot of sailors aboard ship, where it is just impossible to spend a lot of appropriated fund money. So their concentration would have to be with their shore activities. There are differences like that.

Senator **Glenn**. My time has expired, but would anyone else like to make a comment on this?

Why is the Army three times higher than the Marine Corps, General Ono?

General **Ono**. I do not know. This is a comparison that we have never made before. General Lukeman is correct, that we are dispersed in many, many remote sites. We will examine the differences.

Senator **Glenn**. This is appropriated funds I am talking about. Maybe that means the Marine Corps and Navy are generating more funds of their own, generating funds to give the same support to the troops. If they are, why can the other services not do the same thing?

General **Hickey**. Sir, I think it is more a function of installations, shorebased installations versus where the troops are at sea. You have a specific proportion of the Navy that is at sea in terms of troop support.

I just do not think they have the number of installations to have the gymnasiums and those kinds of things on the shorebased installations they have.

I do not believe that that includes anything that would have to do with any of the recreation facilities which they are able to maintain on shipboard. So none of that, I believe, is included in that $400.

Senator **Glenn**. Okay. There may be some very real reasons why they are set up the way they are and why the disparity here, but that was a pretty big disparity. This is not just a few bucks per person in uniform. These are major differences here, three to one differences on where appropriated funds get spent from one service to another. It may be deployment and patterns and where the bases are in ship versus shore and that sort of thing explains it all.

General Lukeman, I would appreciate your looking into this and submitting a letter to the committee. Work with staff. They will be in touch with your office.

I think that is a pretty big disparity at which we would like to look.

[The letter referred to follows:]

Office of the Assistant Secretary of Defense,
Force Management and Personnel,
Washington, DC, November 3, 1987.

Hon. John H. Glenn, Jr.,
Chairman, Subcommittee on Manpower and Personnel, Committee on Armed Services, U.S. Senate, Washington, DC.

Dear Mr. Chairman: This letter responds to the question raised during a hearing by the subcommittee on October 9, 1987, concerning differences in per capita appropriated fund (APF) MWR support among the four military Services: $738 for the

Army; $652 for the Air Force; $415 for the Navy; and $243 for the Marine Corps in 1986.

These differences reflect the result of a budgeting and allocation process that begins at local unit or installation level and progresses through intermediate commands, the Military Departments, the Office of the Secretary of Defense, the Office of Management and Budget, and ultimately reaches the Congress. At each point, requirements and priorities are reviewed and adjusted. Historical levels of funding always provide the base from which each succeeding year's funding is adjusted by increases or decreases. The historical levels are themselves a result of a wide variety of causes that include, but are not limited to, age of facilities, base loading (numbers and type units), climate, geographic location, mix of military and civilian members, an assessment of the value of and need for specific programs that contribute to individual and unit morale and fitness, and, most of all, the mission of the base or station. Our primary conclusion with regard to the varying levels of per capita MWR APF support is that they represent an implicit judgment within each military Service that those levels provide justifiable value, given the overall level of resources and the mission.

There are other variables, not only at Service level, but even among installations within the same Service, that can account for per capita variances in APF MWR support. These include differing MWR priorities compared with other personnel or base support programs, cross-Service support (i.e., where one Service reports APF support for joint-Service programs), differing interpretations of DOD APF support authorizations, varying cost-finding techniques, and differences in operational efficiency. The last three of these are areas where we need to improve and expect to do so.

As a related matter, considerable discussion during the hearing was directed toward the appropriateness of distinctions in APF support based on the geographic location of the military base, particularly with regard to proximity to metropolitan areas. We have been working with professional staff members of the Senate Armed Services Committee to develop language that might be included in legislation to more effectively achieve our mutual goals of efficient support for MWR.

We are still looking into a third issue raised at the hearing concerning the reimbursement of the salaries of nonappropriated funded employees with appropriated funds, and will provide information on that subject shortly.

I trust that this letter is responsive to your request at the October 9, hearings and provides the necessary rationale in support of our earlier report.

Sincerely,

A. LUKEMAN,
Lieutenant General, USMC, Deputy Assistant Secretary
(Military Manpower & Personnel Policy).

Senator GLENN. My time is up.

Senator Exon.

Senator EXON. Mr. Chairman, thank you very much.

Gentlemen, I appreciate your coming here this morning. This is a tremendously important issue when I look at the figures you have presented and recognize that of the $300 billion defense budget we spend about one-third of 1 percent on this very important matter of morale.

I am not going to take a lot of time to defend the Congress either. I have been involved in all of these very extensive debates when we meet with the House of Representatives on the defense authorization and have been one that works very hard to protect what I think is generally readiness, of which morale, welfare and recreation is a tremendously important party for all of the reasons that you all have cited very much on point this morning.

Suffice to say that this is a further extension of the debate that goes on over and over and over again. While it is nice to try and find fault with someone else, one of the problems that we have here, and we are all at fault in this in part, is the fact that we have great difficulty getting the proper priorities from the Department of Defense on the whole series of issues.

It is an overstatement, of course, and perhaps an oversimpification. We have no trouble whatsoever getting somewhere between $3.6 and $5 billion a year for the strategic defense initiative, but we can get hardly over $1 billion for MWR. We all have to share part of the problem for that.

If it were a matter where we had all the money to appropriate to all of the things that we think are necessary for the varying national defense needs of this country, then we could meet all of them.

I do believe that the steps that you have taken to better manage the limited funds that you do have, speaking comparatively, of course, is a significant step in the right direction, and I believe that your activities and efforts will be rewarded hopefully in the conference in which we expect to go sometime next week with the House of Representatives on the Defense authorization bill.

I would like to concentrate, if I could, on the overseas problems. I listen with great understanding to the difficulties that we have today in the Persian Gulf and on the people who are serving to carry out our policies there now.

I remember a few years ago when Senator Tower was chairman of the committee I was successful in getting some funds at a very late date for basic recreation facilities, a gymnasium and softball and baseball fields on Diego Garcia. Diego Garcia is a base which is a long, long way away. It is the only base that we have for even the minimal R&R for the people serving there now.

My question would be, although it is a long, long way from the activities in the Persian Gulf today, is Diego Garcia being used at the present time, Rear Admiral?

Also, a followup question, are there any R&R programs for our marines and sailors to go ashore anywhere in the Persian Gulf if they wanted to go ashore, or are they presently locked in on their ships in the Persian Gulf?

Admiral EDNEY. Taking the first question on Diego Garcia, we greatly appreciate the initiative that got that improvement. We have some of the best facilities for real time relaxation, softball fields and beaches and boating and surfing-type sailboards that our sailors use on a routine basis.

The problem right now is that it is 2,000 miles, as you know, from the Northern Arabian sea to Diego Garcia. So that is the initiative there. They are, however, being utilized. In fact, our carriers go in there, and we saturate it when we put 5,000 people off a carrier onto those facilities. They are excellent facilities, and they are being heavily utilized.

Our problem right now is the amount of forces that we have out there. Hopefully, we will get down to a position where we can rotate our people at Diego Garcia.

Your other question, the answer is that there is no access, routine access, for our sailors and marines and army in the Persian Gulf to the shores for liberty for those littorial nations out there. It is a very sensitive issue. The customs of the people are drastically different, but basically because of the sensitivity of the issue, we do not have access for any liberty ports in the Persian Gulf.

Bahrain is a unique situation. The Government of Bahrain has been most cooperative with us, but it is limited basically to the

COMID east force staff and the basic staff levels of that structure out there, not really liberty ports.

We have occasionally had one or two ships visit Omani ports where we have controlled liberty parties ashore. Because of the differences in the customs, it is not an ideal way for sailors to get relaxation, although they take advantage of it, and it has improved our relationship with those countries. It is, however, a very controlled environment.

Senator EXON. Rear Admiral, let me follow up on that just a little bit. I may get into some areas that are not directly responsible to you people in your personal areas.

You are saying, then, that the closest place we have for very basic R&R is on Diego Garcia, some 2,000 miles away from the Persian Gulf?

Admiral EDNEY. That is absolutely correct. We are using every other opportunity we have with the exception of Bahrain. What we do out there is bring USO shows. Every time I have been to the Indian Ocean, I have had the privilege of having a USO show come out to the troops. They are very popular, but they are limited. Our sailors are 120 days at sea without going ashore, and the shows are very, very popular.

You are right. The only major recreational facilities available in the Indian Ocean are Diego Garcia.

Now, when we are not under the high tempo of operations and restrained to a geographic point as we are now with immediate responsiveness, we are able to get into Karachi, Mombasso and, of course, the very, very popular Australian ports. Australia is another 1,500 miles further south.

Senator EXON. That highlights, I would suggest to you, the extreme difficulties that we have in this whole area with logistics, with landing rights, which I think is going to be crucial because it appears to me that we are facing the possibility of a relatively long-term commitment, if you will, in the Persian Gulf.

I suggest that that is going to be extremely difficult unless we can have someplace for our people serving there to get away from it all, which you people understand much better than most.

This highlights, that, once again, I would think, and I would send the signal that I have been trying to send to the people of the United States from the beginning of this, and that is that we are not getting the accommodation that the United States of America and its Armed Forces need from the people that we are trying to help out over there.

I am not insensitive to the differences in culture, but the differences in culture have to be broken down to some extent where at least we would be entitled to a space of land somewhere where we could help those serving in that area to get away from it all, even though it is not under ideal circumstances.

I, for one, object publicly once again this morning to the fact that we are not insisting strongly enough to the friendly Arab nations that we are trying to help bring some measure of peace to that part of the world. We are insisting enough for landing rights. We are not insisting enough for their participation. We are not insisting enough for them to give us at least space where our people can go ashore when we are risking our lives and our equipment and our military force to basically bring a measure of peace to their part of the world.

They have to get more involved, and I hope you all agree with me that the United States cannot continue forever to play second fiddle to countries that we are trying to help.

For the life of me, I do not see how you are going to be able to sustain a long-term operation over there with R&R at limited facilities on that one small speck of island that we have in the Indian Ocean or to travel another 1,500 miles to Australia.

I simply say and pledge to you as one U.S. Senator, and I think I speak for all of my colleagues, we recognize the problem. We think you are trying to do something about it.

There are many other areas that I would like to go into, but my time is up.

I am concerned about the moving expenses that we have here in the United States for our people. A knock down drag out that we have recently had with regard to the increased costs and how the people's goods that are damaged in transport are compensated for.

Once again, I suppose because of lack of funds, the Department of Defense has not been able to come up with the necessary additional costs for moving. I hope that maybe during this particular time of fiscal restraint we can hold back on some of the moves.

That is just one problem that we have. I know you have many. I am glad you are here to tell us about it this morning, but I hope you will understand that most of us here have a keen interest in and at least some knowledge of the difficult things that you are going through right now.

Thank you, Mr. Chairman.

Senator GLENN. Thank you very much.

You hit on traveling expenses and so on and transfers just tangentially there. That is one thing this committee wants to look into. We went into this very briefly last year, and if we gave the military people on transfer exactly the same benefits we give to civil service people being transferred from one place to another in this country, it would cost us an additional $7.3 billion a year, I think.

Now, I am not sure it should all be the same, but that is one that we want to look into also.

Before I go to Senator Stevens, Senator Wilson is with us. I might add that General Lukeman in starting off referred to America's finest city, San Diego, and his tours of duty there. I said we would have to repeat that when you arrived.

I know Senator Wilson has some other commitments. He wanted just a couple of minutes here so he could make a comment, and then we will go to Senator Stevens.

Senator WILSON. Thank you, Mr. Chairman. I thank Senator Stevens for his courtesy.

The first thing I would like to do is congratulate General Lukeman on that perceptive comment. [Laughter.]

I can only say that it is, I agree with him, the finest city, but in large measure because of the very good citizenship, the corporate citizenship and individual good citizenship of the Navy and Marine personnel that we have been very proud to host there for many, many decades, many generations.

Mr. Chairman, let me thank you and congratulate you. I have a statement that I am not going to read but that I will put into the record.

Essentially, I think that you are to be commended for holding the hearing. I understand what prompted the provision in permanent law that was placed there by the Congress at the urging of our friends, the appropriators, last year. I agree, there has been a problem.

On the other hand, I think perhaps that provision was a little too broadly drawn and needs some definition. I think that it is important that we make distinctions between those activities for morale, welfare and recreation that are not of general patronage by our armed services and by their dependents and, really, those that are of the much more obligatory nature. I would draw a distinction between child care centers and gun clubs or officers clubs, for that matter.

I think that it is essential that we make that kind of a discriminating judgment about the level of support for different kinds of activities, not simply whether others may be available in a metropolitan area. I think we need to be concerned, really, with the reality of the ability of the personnel to afford the kinds of morale, welfare and recreation activities that we are increasingly trying to provide, especially to our young enlisted, families with 54 percent of the Army and even more than that coming on as married.

I think it is very clear that our requirements have changed and that our priorities must accordingly change, but I think that the information gained at this hearing will help us to focus on that better definition because I am frankly concerned that as the law stands now, it is too broad and fails to make distinctions that are required if we are to do justice to our military families.

I will put that statement into the record in full, and I also have several questions, some of which relate to the difference in the level of appropriated support for the different services.

I note that there is a very great difference between what the Navy and the Marines are doing on the low side and what the Army and the Air Force are doing on the high side. I do not really understand that.

Mr. Chairman, thank you.

Senator **GLENN**. Thank you very much.

Senator Wilson was commenting earlier here privately his regret that he had other commitments this morning. He and I worked closely together on this matter, and he is very interested in it. I can assure you personally that his not being able to attend this morning does not indicate a lack of interest in this very vital area.

Senator **WILSON**. Thank you, Mr. Chairman.

Senator **GLENN**. Thank you.

Senator Stevens.

Senator **STEVENS**. Thank you, Mr. Chairman. I am here at the suggestion of Senator Stennis, who is now the chairman of our Defense Appropriations Subcommittee. I am happy to hear the statements made by Senator Wilson and yourself.

I would like to ask you to put in the record a letter of May 7, 1987, that was sent to the chairman of our Defense Subcommittee, Senator Stennis, by the Assistant Secretary of Defense which represents the agreement that was made between the chairman and the staff of the committee on the one hand and the Department on the other hand as to the application of this amendment.

This was the amendment that started in the House, Mr. Chairman, and the Senate had no alternative but to accept the approach for a lot of reasons that I will mention.

I do think, Mr. Chairman, it is important for you and your staff to see, if you have not, the letter that represents the agreement as to where this cut applies.

Senator GLENN. The letter will be included in the record.

[The letter follows:]

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301-4000

FORCE MANAGEMENT
AND PERSONNEL

7 May 1987

Honorable John C. Stennis
Chairman, Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This letter is submitted in accordance with Conference Report #99-1005 on the Fiscal Year 1987 Department of Defense Appropriations Act (Public Law 99-500), which directs the Department to submit a list of military installations located in large metropolitan areas in the United States and a detailed explanation of the criteria used to establish their designation. This requirement is related to a new General Provision of the Appropriations Act, Section 9102, which states that:

> "After September 30, 1987, no appropriated funds may be used to support revenue generating Morale, Welfare and Recreation (MWR) activities located in large metropolitan areas, as defined by Department of Defense regulation, of the fifty United States."

The term "large metropolitan areas," used in the General Provision, will be interpreted to include those Urbanized Areas listed in the U.S. Department of Commerce Supplementary Report (PC80-S1-14), Population and Land Area of Urbanized Areas for the United States and Puerto Rico; 1980 and 1970, 1980 Census of Population, issued February 1984. Areas listed with total population less than 500,000 in which the military population (assigned active duty personnel and family members of all military installations in the Urbanized Area) comprises 10 percent or more of the total population are excluded.

A listing of military installations, with MWR programs, meeting the above Urbanized Area criteria is enclosed. Installations that do not meet these criteria, and are therefore not subject to the restrictions of Section 9102, are also listed.

Based on the report of your committee and as discussed with Mr. Scott Gudes of the committee staff, we will apply the General Provision only to recreational activities capable of generating sufficient nonappropriated fund income to offset their own operating expenses and capital improvements, such as:

Clubs (except those areas in support of essential feeding for emergency, mobilization, or official and representation functions)
Marinas (includes only rental/resale activities and marinas where privately-owned boats are berthed)
Stables
Bowling centers (over 12 lanes)
Motion pictures (paid admission)
Golf courses
Skating rinks
Skeet/trap ranges
Cabins/cottages
Amusement machine locations/centers

We will prohibit direct appropriated fund support to these activities, but will continue to provide incidental services that result from broad military mission requirements that do not exist specifically to support revenue generating recreational activities. Examples of indirect support services that are appropriated funded include fire and police protection, pest control, medical and veterinary services, legal services, financial management and inspector general services, government directed education and training, grounds maintenance, facility systems maintenance and repair (electrical, mechanical, roofing, foundations, windows, doors, etc.). Golf courses, however, will not be provided any grounds maintenance support from appropriations.

In order to ease the transition for appropriated funded civilian personnel currently employed by revenue generating recreational activities, we consider that persons employed on January 1, 1987, should be permitted to attrite in an orderly manner and that their positions be converted to nonappropriated fund positions thereafter. Also, not more than 350 military positions should be retained in open messes in large metropolitan areas to perform essential feeding functions. A revision to Section 9102 will be necessary to continue this support. Accordingly, a proposed revision is enclosed for your consideration.

For your information, an identical letter has been sent to the Chairman, Committee on Appropriations, House of Representatives.

We trust that this letter and the enclosure is responsive to the Committee. Your assistance and guidance in revising Section 9102 to accommodate the needs of the Department will be greatly appreciated.

Sincerely,

Chapman B. Cox

Enclosures

Proposed Revised General Provision

After September 30, 1987, appropriated funds may not be used for direct support of revenue generating recreational activities located in large metropolitan areas of the 48 contiguous United States, as defined by Department of Defense regulations, except for civilian personnel employed on January 1, 1987, and for military personnel and equipment required to be utilized in essential feeding functions.

Encl 1

Department of Defense Installations
By State
Designated Metropolitan and Not Metropolitan

For Purposes of Compliance with
Section 9102, Public Law 99-500

State	Service/Installation		Metropolitan	Not Metropolitan
Alabama	Army	Anniston AD		X
		Fort McClellan		X
		Fort Rucker		X
		Redstone Arsenal	X	
	Air Force	Gunter AFB	X	
		Maxwell AFB	X	
Alaska	Army	Fort Greely		X
		Fort Richardson		X
		Fort Wainwright		X

State	Service/Installation		Metropolitan	Not Metropolitan
	Navy	NAS Adak		X
		NSGA Adak		X
	Air Force	Eielson AFB		X
		Elmendorf AFB		X
		Shemya AFB		X
Arizona	Army	Fort Huachuca		X
		Yuma Prov. Ground		X
	Air Force	Davis Monthan AFB	X	
		Luke AFB		X
		Williams AFB		X
	Marine Corps	MCAS Yuma		X
Arkansas	Army	Pine Bluff Arsenal		X
	Air Force	Blytheville AFB		X
		Little Rock AFB	X	
California	Army	Fort Hunter Liggett		X
		Fort Irwin		X
		Fort Mason	X	
		Fort Ord		X
		Oakland Army Base	X	
		Presidio of Monterey		X
		Presidio of San Fran.	X	
		Sacramento AD	X	
		Sharpe AD		X
		Sierra AD		X

State	Service/Installation		Metropolitan	Not Metropolitan
	Navy	NAS Alameda	X	
		NAVFAC Centreville Beach		X
		WPNCTR China Lake		X
		WPNSTA Concord		X
		PHIBASE Coronado	X	
		NAF El Centro		X
		NAS Lemoore		X
		NAVSTA Long Beach	X	
		NAVSTA Mare Island	X	
		NAS Miramar	X	
		NAS Moffett Field	X	
		NAVPGSCOL Monterey		X
		NAS North Island	X	
		NAVHOSP Oakland	X	
		NSC Oakland	X	
		NAS Point Mugu		X
		CBC Port Hueneme	X	
		NAVHOSP San Diego	X	
		NAVSTA San Diego	X	
		NAVTRASTA San Diego	X	
		SUBASE San Diego	X	
		WPNSTA Seal Beach	X	
		NSGA Skaggs Island		X
		COMMSTA Stockton	X	
		NAVSTA Treasure Island	X	
	Air Force	Beale AFB		X
		Castle AFB		X
		Edwards AFB		X
		George AFB		X
		LA AFS	X	
		March AFB		X

State	Service/Installation		Metropolitan	Not Metropolitan
		Mather AFB	X	
		McClellan AFB	X	
		Norton AFB	X	
		Onizuka AFS	X	
		Travis AFB		X
		Vandenberg AFB		X
	Marine Corps	MCAGCC 29 Palms		X
		MCAS El Toro/Tustin	X	
		MCB Camp Pendleton		X
		MCLB Barstow		X
		MCRD San Diego	X	
Colorado	Army	Fitzsimmons AMC	X	
		Fort Carson		X
		Pueblo AD		X
		Rocky Mountain Arsenal	X	
	Air Force	Lowry AFB	X	
		Peterson AFB		X
		USAFA		X
Connecticut	Navy	SUBASE New London		X
Delaware	Air Force	Dover AFB		X
District of Columbia	Army	Fort McNair	X	
		Walter Reed AMC	X	
	Navy	NDW/Anacostia	X	
		NISC Washington	X	
		NAVSECSTA Washington	X	
	Air Force	Bolling AFB	X	
	Marine Corps	8th & I Marine Barracks	X	

State	Service/Installation		Metropolitan	Not Metropolitan
Florida	Navy	NOTU Cape Canaveral	X	
		NAS Cecil Field		X
		NTTC Corry Station		X
		NAS Jacksonville	X	
		NAS Key West		X
		NAVSTA Mayport	X	
		NAVTRASTA Orlando	X	
		NCSC Panama City		X
		NETPMSA Pensacola		X
		NAS Pensacola		X
		NAS Whiting Field		X
	Air Force	Eglin AFB		X
		Homestead AFB	X	
		Hurlburt AFB		X
		MacDill AFB	X	
		Patrick AFB	X	
		Tyndall AFB		X
Georgia	Army	Fort Benning		X
		Fort Gillem	X	
		Fort Gordon		X
		Fort McPherson	X	
		Fort Stewart		X
	Navy	NSCS Athens	X	
		NAS Atlanta	X	
		SUBASE Kings Bay		X
	Air Force	Dobbins AFB	X	
		Moody AFB		X
		Robins AFB		X
	Marine Corps	MCLB Albany		X

State	Service/Installation		Metropolitan	Not Metropolitan
Hawaii	Army	Fort Shafter/Tripler AMC	X	
		Fort Derussy/Hale Koa Hotel	X	
		Scholfield Barracks	X	
		Fort Ruger	X	
		All Others		X
	Navy	NAS Barbers Point		X
		PMRF Barking Sands		X
		NAVMAG Lualualei		X
		NAVSTA Pearl Harbor	X	
		SUBASE Pearl Harbor	X	
		NAVCAMS EASTPAC Wahiawa	X	
	Air Force	Hickam AFB	X	
		Wheeler AFB	X	
		Bellows AFS		X
	Marine Corps	Camp Smith	X	
		MCAS Kaneohe		X
Idaho	Navy	NAVADMINU Idaho Falls		X
	Air Force	Mountain Home AFB		X
Illinois	Army	Fort Sheridan	X	
		Rock Island Arsenal	X	
		St. Louis Area Support Center	X	
	Navy	NAS Glenview	X	
		NTC Great Lakes	X	
		NAVHOSP Great Lakes	X	
	Air Force	Chanute AFB		X
		O'Hare ARFF	X	
		Scott AFB		X

State	Service/Installation		Metropolitan	Not Metropolitan
Indiana	Army	Fort Ben Harrison	X	
	Navy	NWSC Crane		X
	Air Force	Grissom AFB		X
Kansas	Army	Fort Leavenworth		X
		Fort Riley		X
	Air Force	McConnell AFB		X
Kentucky	Army	Fort Campbell		X
		Fort Knox		X
		Blue Grass AD		X
		Lexington AD	X	
Louisiana	Army	Fort Polk		X
	Navy	NAS New Orleans	X	
		NSA New Orleans	X	
	Air Force	Barksdale AFB	X	
		England AFB		X
Maine	Navy	NAS Brunswick		X
		NAVCOMMU Cutler		X
		NSGA Winter Harbor		X
	Air Force	Loring AFB		X
Maryland	Army	Aberdeen Prov. Gr.		X
		Fort Detrick		X
		Fort Meade	X	
		Fort Ritchie		X
	Navy	NAVSTA/USNA Annapolis		X
		NAVMEDCOM NCR Bethesda	X	
		NCU Washington	X	
		NAVORDSTA Indian Head		X

State	Service/Installation		Metropolitan	Not Metropolitan
		NAS Patuxent River		X
		Solomons Islands		X
	Air Force	Andrews AFB	X	
Massachusetts	Army	Fort Devens		X
		Natick Labs		X
	Navy	NAS South Weymouth	X	
	Air Force	Hanscom AFB	X	
		Westover AFB	X	
Michigan	Army	Detroit Arsenal-Warren	X	
		Tank Automotive Cmd.-Selfridge	X	
	Navy	NAF Detroit	X	
	Air Force	K.I. Sawyer AFB		X
		Wurtsmith AFB		X
Minnesota	Air Force	Minn-St. Paul IAP	X	
Mississippi	Navy	CBC Gulfport		X
		Naval Home Gulfport		X
		NAS Meridian		X
		SUPSHIP Pascagoula	X	
	Air Force	Columbus AFB		X
		Keesler AFB		X
Missouri	Army	Fort Leonard Wood		X
		Reserve Pers. & Admin. Ctr.	X	
	Air Force	Richards-Gebaur AFB	X	
		Whiteman AFB		X
Montana	Air Force	Malmstrom AFB		X

State	Service/Installation		Metropolitan	Not Metropolitan
Nebraska	Air Force	Offutt AFB	X	
Nevada	Navy	NAS Fallon		X
	Air Force	Indian Springs AF Aux Fld		X
		Nellis AFB	X	
New Hampshire	Navy	SHIPYD Portsmouth		X
	Air Force	Pease AFB		X
New Jersey	Army	Bayonne MOT	X	
		Fort Dix		X
		Fort Monmouth	X	
		Picatinny Arsenal	X	
	Navy	WPNSTA Earle		X
		NAEC Lakehurst		X
	Air Force	McGuire AFB		X
New Mexico	Army	White Sands M.R.		X
	Air Force	Cannon AFB		X
		Holloman AFB		X
		Kirtland AFB	X	
New York	Army	Fort Drum		X
		Fort Hamilton	X	
		Seneca AD		X
		U.S. Military Academy		X
		Watervliet Arsenal	X	
	Navy	NAVSTA New York	X	
		NAVADMINU Scotia	X	

State	Service	Installation	Metropolitan	Not Metropolitan
	Air Force	Griffiss AFB	X	
		Niagara Falls IAP	X	
		Plattsburgh AFB		X
North Carolina	Army	Fort Bragg		X
	Air Force	Pope AFB		X
		Seymour Johnson AFB		X
	Marine Corps	MCAS Cherry Point		X
		MCAS New River		X
		MCB Camp Lejeune		X
North Dakota	Air Force	Grand Forks AFB		X
		Minot AFB		X
Ohio	Air Force	Newark AFS	X	
		Wright-Patterson AFB	X	
		Youngstown Mun. Apt.		X
	Defense Agencies	Def. Const. Sup. Ctr.	X	
		Def. Elec. Sup. Ctr.	X	
Oklahoma	Army	McAlester AAP		X
		Fort Sill		X
	Air Force	Altus AFB		X
		Tinker AFB	X	
		Vance AFB		X
Oregon	Navy	NAVFAC Coos Head		X

State	Service/Installation		Metropolitan	Not Metropolitan
Pennsylvania	Army	Carlisle Barracks		X
		Fort Indiantown Gap		X
		Letterkenny AD		X
		New Cumberland AD	X	
		Tobyhanna AD		X
		USASD Oakdale		X
	Navy	NSPCC Mechanicsburg	X	
		NAVSTA Philadelphia	X	
		NAVHOSP Philadelphia	X	
		ASO Philadelphia	X	
		NADC Warminster	X	
		NAS Willow Grove		X
	Air Force	GTR Pittsburg IAP	X	
	Defense Agencies	Def. Pers. Sup. Ctr.	X	
Rhode Island	Navy	NETC Newport		X
South Carolina	Army	Fort Jackson	X	
	Navy	NAVHOSP Beaufort		X
		Naval Station Charleston		X
		WPNSTA Charleston		X
	Air Force	Charleston AFB		X
		Myrtle Beach AFB		X
		Shaw AFB		X
	Marine Corps	MCAS Beaufort		X
		MCRD Parris Island		X
South Dakota	Air Force	Ellsworth AFB		X

State	Service/Installation		Metropolitan	Not Metropolitan
Tennessee	Navy	NAS Memphis (Millington)		X
	Air Force	Arnold AFS		X
	Defense Agencies	Def. Depot Memphis	X	
Texas	Army	Fort Bliss/Beaumont AMC	X	
		Fort Hood		X
		Fort Sam Houston	X	
		Red River AD		X
	Navy	NAS Chase Field		X
		NAS Corpus Christi	X	
		NAS Dallas	X	
		NAS Kingsville		X
	Air Force	Bergstrom AFB	X	
		Brooks AFB	X	
		Carswell AFB	X	
		Dyess AFB		X
		Goodfellow AFB	X	
		Kelly AFB	X	
		Lackland AFB	X	
		Laughlin AFB		X
		Randolph AFB	X	
		Reese AFB		X
		Sheppard AFB		X
Utah	Army	Dugway Proving Gr.		X
		Fort Douglas		X
		Tooele AD		X
	Air Force	Hill AFB	X	
	Defense Agencies	Def. Depot Ogden	X	

State	Service/Installation		Metropolitan	Not Metropolitan
Virginia	Army	Arl. Hall Station	X	
		Cameron Station	X	
		Fort A.P. Hill		X
		Fort Belvoir	X	
		Fort Eustis		X
		Fort Lee		X
		Fort Monroe		X
		Fort Myer	X	
		Fort Pickett		X
		TJAG School	X	
		Fort Story	X	
		Vint Hill Farms		X
	Navy	NSC Cheatham Annex		X
		NSGA Northwest		X
		NSWC Dahlgren		X
		FCTC Dam Neck	X	
		NAB Little Creek	X	
		SUPSHIP Newport News		X
		AFSC Norfolk	X	
		NAVSTA Norfolk	X	
		HSA LANTFLT Norfolk	X	
		NAS Oceana	X	
		NAVHOSP Portsmouth	X	
		SHIPYD Portsmouth	X	
		WPNSTA Yorktown		X
	Air Force	Langley AFB		X
	Marine Corps	MCDEC Quantico		X
		Henderson Hall	X	
	Defense Agencies	Def. Gen. Sup. Ctr	X	

State	Service/Installation		Metropolitan	Not Metropolitan
Washington	Army	Fort Lewis/Madigan AMC		X
	Navy	SUBASE Bangor		X
		Puget Sound Naval Shipyard		X
		NAVHOSP Bremerton		X
		NUWES Keyport		X
		NAVFAC Pacific Beach		X
		NAVSTA Seattle	X	
		NAS Whidbey Island		X
	Air Force	Fairchild AFB		X
		McChord AFB		X
West Virginia	Navy	NAVRADSTA Sugar Grove		X
Wisconsin	Army	Fort McCoy		X
	Air Force	Gen Billy Mitchell Field	X	
Wyoming	Air Force	Francis E. Warren AFB		X

Senator **Stevens**. It specifically does not apply to any gymnasiums, any child care centers, any kind of libraries, the appropriate MWR activities that would be in these metropolitan areas. It does not apply to rural areas of the country. It does not apply overseas at all.

As a consequence, beyond that, Mr. Chairman, it did not even start applying until October 1 of this year. It was a provision that had by its own definition 1 year of adjustment for the Department and the individual services to try and see what could be done to bring it about.

This appropriations cut amounted to a 5-percent cut in the Federal appropriated fund support for MWR. After that was made by the Defense appropriations bill, internally the Department of Defense reduced that amount by another $76 million. In other words, the Defense Department's internal cut was larger than that of the Congress.

The reason was, Mr. Chairman, that we have some 7,000 military personnel working in MWR activities. We had to turn down last year a request for increased uniform strength in that appropriations bill. The House insisted that some of the people who were working in MWR in uniform had to be dedicated to other military activities. It is a plain and simple objective.

Gentlemen, I would like to ask you some questions concerning your statements. The Congress has indicated, for instance, in this exchange between Senator Stennis and the Department of Defense, that, for instance, the golf courses in metropolitan areas cannot be supported by appropritated funds.

Is it necessary to support golf courses in metropolitan areas with appropriated funds? We have had a 51 percent pay increase in uniform personnel since 1980. We have had an increase across the line in all other types of support, housing allowances, uniform allowances.

In metropolitan areas, these functions are available. Golf courses are available. Must we use uniformed people to support golf courses in metropolitan areas?

General **Lukeman**. We do not believe we should, sir, and that is our intention. When we implement our report that was sent over in August, we will not use military personnel in golf courses anywhere in the United States.

Senator **Stevens**. Well, General, I hate to tell you, but the Members of Congress I have talked to would disagree with you. There are some areas in the country where there are no golf courses in the civilian community, and you do have a great love of golf in some of the military people who are sent to those communities under orders.

We think there should be some discrimination in terms of the use of appropriated funds in areas where there are no civilian counterpart of the type of recreation that your people use in metropolitan centers.

Why have you disagreed with the Congress in that regard?

General **Lukeman**. As we put our program together, it became apparent that the restriction on the metropolitan areas is going to be damaging to some individuals and that there should be sufficient resources available through both nonappropriated and appropriated funds to continue the activities that were essential in such places as Minot, ND and others away from the metropolitan areas.

So we believe we can keep those golf courses open. It is going to take some tough management. We are capable of doing that, but we need the flexibility to do it, and our flexibility is restricted by this particular provision.

Senator STEVENS. Your own provision is more inflexible than that which Congress imposed on you beginning October 1, 1987.

You will not use any appropriated funds now for some of these revenue-producing facilities in rural areas of the country where there are no competing civilian functions?

General LUKEMAN. That is correct, Senator. I think a different way of saying it is that it is a way of forcing improved management.

The program that we are in agreement on in the Department of Defense will indeed permit us to continue effective MWR support in real terms at no more than the fiscal year 1987 level.

Senator STEVENS. I have to tell you, in terms of the testimony and the information we had, it would indicate that there are 220,000 nonappropriated civilians in MWR jobs in the Department. That is one-fifth of all civilian employment in the Department of Defense.

It would seem to us that the activities that are being performed by that one-fifth might well be spread to include some of that that is being done by appropriated fund people without reducing the level of MWR.

Has that been explored?

General HICKEY. Sir, if I might answer, when you count 220,000 employees, we are talking about people that may work 10 hours a week or 14 hours a week. There is no relationship between the man years of effort, or at least I am aware of none between that kind of a number and what we are actually getting back out of those.

Senator STEVENS. I do not know whether that is man year employment or not, General, and that is a good point, the concept of having to use taxpayer supported appropriated fund military people to perform some 7,000 jobs now that are performed by uniform personnel in MWR activities, a great portion of them in the urban areas.

I think that the compromise we tried to work out under the facts as the chairman indicated, you ain't seen nothing yet if this Gramm-Rudman sequester hits us. It will be across the board, and it will take more money than both the Department and the Congress did from MWR last year.

General HICKEY. On the numbers that at least I am familiar with within the Air Force, the law as stated now precludes using military people in officers clubs or in NCO clubs, either of the club structures within the metropolitan areas. You have 91 military people that are involved in that.

What we did not understand when the law was put down was that there are other complex things that are in play here. We have clubs overseas where either we are unable to hire civilians or we could not afford to hire civilians to man and operate those clubs.

The cheapest and most effective way that we can do this is with military people.

When we go to conflict, we are going to end up with military people doing those kinds of jobs. In a great number of cases, they are food service types of skills that we know we do not have enough of them on active duty to do.

Those 91 people that we will take out of those clubs now in the Air Force places will reduce the number of stateside places that those people can go to the point that I now have a significant imbalance. People will spend more time overseas than in the States because I do not have a job for them back here in the continent.

So one of the things for which we were asking for relief was to at least let us maintain that rotational base of military. So there are other things that sometimes come to play in here rather than whether or not they can make a profit.

Senator STEVENS. I do not want to seem too tough, General, but you could let them go and get someone that can work on an airplane.

We have the problem of a limitation on uniform services. I did not start it. The chairman did not start it. We have opposed it, but we have to live with it, just as we have to live with budgetary limitations.

You are all talking to the center of your support in the Congress and indicating that somehow or other we have done you wrong, as the chairman said.

My time is up, and I have to go, Mr. Chairman. I, too, have another committee. I am sorry to have to leave you.

I have one other question.

Senator GLENN. Go ahead and continue with whatever time you need.

Senator STEVENS. Admiral, you mentioned the E–4 who has so little money left toward recreation. That E–4 has the housing allowance that I mentioned, all of the allowances that the civilian counterparts and those nonappropriated fund counterparts do not have.

I do not understand that. Would you send me that statistic, that tabulation?

For 3 years in a row now, we have increased military pay. We have not increased civilian pay beyond the inflation margin. We have for military beyond the inflation margin, and I do not understand with all we are doing that an E–4 living there in the metropolitan community would end up with so little money.

His counterparts do not have housing allowances, and we are equally concerned with the Government employees who work on those bases. If the E–4 has so little money left, then by definition the civilian employee that does not have the housing allowance and other allowances is going bankrupt.

Now, we have to get some stability here so far as I am concerned in terms of these——

Admiral EDNEY. On that question, we will provide you the answer for the record, sir.

[The information follows:]

DISPOSABLE INCOME FOR ENTERTAINMENT OF E-4 IN NORFOLK

The Bureau of Labor Statistics pamphlet "Relative Importance of Selected Components of the Consumer Price Index Table I," published January 1987, provided the consumer price index for determining that portion of income spent for entertainment commodities and services. That index is 4.4 percent. The E-4's income is: base pay $910; subsistence allowance $161; quarters allowance $275; variable housing allowance $112. Total monthly income $1,458. Withholding $160. Net disposable income $1,298 × 4.4 percent = $57.

The estimate for an E-4's disposable income for entertainment is provided to indicate the adverse effect of raising fees in Navy morale, welfare and recreation activities. Recreation will simply become less affordable to Navy people. This is of considerable concern in the higher cost-of-living metropolitan areas where most Navy U.S. bases are located. The Navy is most appreciative of Congress' interest in pay comparability for our Navy people, however, if these fees increase at a greater relative rate than pay, access to recreation services is diminished.

Admiral EDNEY. That E-4, over 3 years, married with two children living in Norfolk, VA, gets for his housing allowance $275 per month. Now, the house that you can rent in Norfolk, VA for $275 a month, we would not want to live there. So he has to take additional——

Senator STEVENS. He has a variable housing allowance on top of that.

Admiral EDNEY. That is $112 a month, so now he is up to $387.

Senator STEVENS. But a civilian counterpart gets none, and he is getting more pay now than the civilian counterpart. I think you have to keep those things in mind as we look at some of these questions about where we put the taxpayers' money, particularly in this period where we are going to be reduced, gentlemen.

Mr. Chairman, I want to make a commitment to you in front of this panel, and that is you all give us the language you want to adjust this provision, and I will personally offer it and see if the House will take it.

This was a very, very limited 5 percent restriction on the use of appropriated funds in metropolitan areas only for those revenue-generating areas where private sector, private ownership was involved and in competition with existing facilities in that community provided to the general population by the private sector itself.

We felt, since we had to make a restriction, that that limitation would have the least impact on morale. Now, if you all can give us a better formula, I guarantee that Senator Stennis and I will offer it and pursue it, and we invite you to do the same.

I have to tell you, though, I, for one, coming from where I come from, cannot support that. There is a whole series of functions there that my civilian population does not have that we have never objected to the military people in Alaska having. They are not going to get it in the civilian community in Alaska, and unless you provide it they are not going to have it. We have not objected to it.

Why should you restrict those people you send to my State from pursuing the things that they would pursue normally on other bases when we do not object? I think that you ought to reconsider this righthand side category, no appropriated fund support at all. We did not go that far.

Mr. Chairman, I am sorry to have to leave you, but I do make that pledge to you. I leave this letter with you, and I thank you for your courtesy. You always have been very courteous to our committee.

Senator GLENN. Thank you very much, Senator Stevens. I would like to work with you on some of this.

Before Senator Stevens leaves, my question will be how much flexibility would you allow for just such situations as Alaska or remote areas in our own country here where we have a few bases out in pretty remote areas where you could not break things down exactly like this? How much flexibility do you have on this for making special allowances for a situation like Senator Stevens brings up?

General LUKEMAN. I think our interests are so close on this and what we need is a great deal of flexibility. We would be pleased to work with Congress on this.

Senator STEVENS. Mr. Chairman, take boating. The boats the Air Force maintains in Seward, AK, are used by the Army and the Air Force personnel. We do not have a comparable rating service for providing boats of that type. They just use them for a short period. There is no one in the private sector who could make enough money to support that recreation boat fleet, and yet the people of our area have welcomed that kind of recreation and fishing opportunities for the military people.

If you take that righthand side, they will be out of business. Now, that is going the wrong way. It might please Senator Proxmire, but it would not please me.

Senator GLENN. Thank you. Obviously we would like to work with you on how this would be applied and what kind of flexibility there could be. Whether it is golf courses or both in Alaska or whatever, we would like to work with you on seeing what kind of flexibility you can have.

I am not necessarily against your approach. As I said earlier, I am for this approach. It seems that it makes a lot of sense. Maybe we should have started it a long time ago. I think we could build enough flexibility into it to take care of special situations like this without locking it in so tight that there would be no flexibility at all.

General HICKEY. As a matter of fact, flexibility is what we were after, truthfully, Mr. Chairman, in the metropolitan area restriction. It wipes out our flexibility there.

You will find from some of the other people that are going to testify today that you run into pockets where the assumption is that those facilities are available if the troops are not there. There are other places where some of the kinds of facilities are there but you really do not want to put your troops down there. Those are going to come out.

We would like the flexibility that we cannot get at the present time with the other law.

Senator GLENN. We have to move along. We have a second panel. I want to get going right now on several questions I have, and I hope we can make this go rather rapidly here if we possible can.

General Lukeman, on the user fees, for the exchange system we normally figure that it is about 20 to 25 percent cheaper to buy there than it is outside as a very general rule?

General LUKEMAN. It is a little bit less than that; about 15 to 20 percent, sir.

Senator **Glenn**. Would you try in the other areas to make user fees, say, that would pay 75 percent of what the comparable prices would be outside? Is that a rule of thumb that you are following?

General **Lukeman**. No, it is not, sir. We considered that approach, but we adopted the other approach where we could control those specific areas where appropriated funds would be permitted. So the percentage that falls out will be different for different activities.

Senator **Glenn**. General Hickey, there was an Air Force task force studying MWR activities completed in February 1986. Let me ask about a couple of items on that.

Once again, I think that points out in part of that that user fees, club dues and so on have not kept up with inflation. Why has that been the case? Why have they not kept up?

I think you or someone indicated in one of these studies that there would be just on club fees some $17 million raised. I do not recall exactly where that was.

General **Hickey**. Yes, sir, that is true. Well, it is kind of like other kinds of financial arrangements that are made. They get set, and they sit there, and they work for a year or two or three and they become institutionalized, and nobody goes back and worries about them.

I think that is what happened in some cases with the club membership fees. We have increased them over time, over years. They certainly are higher than they were when I was a lieutenant, but if you went by true dollar inflationary rate, the average fees that we are charging in officers clubs now run about $12, and they probably ought to be $18 if you are just using a pure stay at the same kind of buying power thing.

Senator **Glenn**. That is big money. That is not a small amount.

Here is the thing I was looking for. General Lukeman had in his statement indicated that 25 percent of available appropriated funding support went to clubs, and then we looked at some of the club dues and so on.

General Lukeman, your statement indicated, and I quote, "improved management can reduce appropriated fund support to clubs by almost 20 percent or about $40 million annually", and then the Air Force studies say that if we just had membership dues keeping pace with inflation and nothing more, there would be another $17 million there. That gets up to some pretty good size funds.

Are you taking action to do this?

General **Hickey**. Yes, sir. Those are exactly what are ensconced in this whole process, sir. In order to make them all balance financially, we know that we are going to have to do those kind of things, and we are prepared to move on those. You are not going to do a slam dunk $6 raise per month all the time, but it may take 1 or 2 or 3 years at $1 to $2 per year because we have to sell that program to our people that are members out there, too. They are not interested in the financial balance in bookkeeping.

There was no chicanery or clandestine reason for not raising club fees. It is kind of like aviation career incentive pay was last raised in 1981, and now its buying power is down about 29 percent or something like that.

It is the same process. You just do not attack it every year.

Senator GLENN. Over to the Army, also you had a 1986 study that was called the Army Club System 1986, An Assessment. The study found there was little top level direction in the management of clubs, and their operation was left up to local commanders. That was one of the things out of the study.

I guess the first question would be what action the Army is taking on the recommendations in that study.

Another thing was appropriated fund support for salaries to support clubs, to stay on clubs for a minute. Appropriated fund support for salaries to support clubs in the Army is about $7.7 million. Now, 83 percent of that or $6.4 million goes to support officers clubs and only $1.3 to NCO and enlisted.

What requires that huge preponderance over on the officers club side?

General ONO. What you are reading is a very critical report. What we have done in that area is to shake up the force to be sure that each club becomes as self-sufficient as possible. That is the direction in which we are headed.

In accepting the findings of that report we will be required to initiate actions that will provide for more efficient and effective management.

Senator GLENN. Has the ratio of giving 4 to 1 to officers clubs been corrected?

General ONO. Sir, the Army direction and goal is to make all clubs self-sufficient.

There are those clubs in remote areas that will never be able to do that. In those locations, we hope that Congress would be, as we discussed earlier, flexible enough to rely on us to provide appropriated fund support to club programs in those remote and isolated areas that cannot support a totally self-sufficient program.

Senator GLENN. Okay. I would favor very much giving you that kind of flexibility, but that still does not explain the difference between allocation of funds between officers and the enlisted of that magnitude.

Even on remote sites, you would think the ratio would be better.

General ONO. You are correct, and we are leveling that off by requiring that all of our clubs be self-sufficient. I would guess much of what we had in our expenses was construction costs and renovation costs, and those have been corrected.

Senator GLENN. General Lukeman, you indicated in your statement that funding distinctions based on metropolitan versus nonmetropolitan areas may not represent an appropriate management technique and that you would report separately on this.

What is the status on that report, and when will we get it?

General LUKEMAN. We have not written it yet. You will get it within 2 weeks. [Answered in letter to Senator Glenn (see insert p. 65).]

Senator GLENN. Within 2 weeks; okay, fine.

In the House appropriations survey and investigations report last year, the Army was criticized for its policy of reimbursing nonappropriated fund instrumentalities from appropriated funds for the services of nonappropriated fund employees and improper use of the appropriated funds. Similar infractions were cited for the Navy and for the Marine Corps.

Has the Army discontinued that practice?

General ONO. Let me check.

[Pause.]

The answer is not totally, Senator Glenn, although much of it has been discontinued.

Senator GLENN. I am not sure about the legality. Staff can correct me, but it was my understanding from the House report that they felt this was illegal. It was not just a matter of choice; is that correct?

You had better get on that. When the staff tells me that the counsel over at the Pentagon has said that that is illegal, so unless that one is corrected, you are in violation of the law. It is not a matter of choice.

General ONO. We do not plan to violate the law.

Senator GLENN. I know that.

Admiral Edney and Colonel Angle, I wanted to ask you the same thing because the Navy and Marine Corps were both criticized in the same way.

Have you stopped that practice?

Admiral EDNEY. No, sir. If we are talking about the same thing, sir, it is our understanding that under the DOD instruction 7000.12, it does allow for using appropriated funds to augment welfare and rec activities when the duties involved are executive and command supervised in nature.

The reason that we do that is that we can give you a more efficient operation. We can get the cost of the employee benefits for 21 percent less using this function so that we get the services at lower cost and then we pay for them with appropriated funds, and we take nonappropriated funds and then apply them to whatever it may be, child care centers and so on.

Senator GLENN. It is your position that this is permitted under the law now?

Admiral EDNEY. Yes, sir.

Senator GLENN. Well, that is at odds with what the staff information was. We will have staff get in touch with you. We will have further followup questions on that because we want to get that one straightened out for sure.

Admiral EDNEY. I am no expert on it.

General HICKEY. There is a great deal of disagreement amongst our individual general counsels on that issue, Senator.

We do not do it in the Air Force because our particular general counsel has advised that in their view we cannot legally do it. It is really not a resolved issue from a legal point of view.

Senator GLENN. What does OSD general counsel say on that, General Lukeman, do you know? He ought to straighten out the other general counsels, it would seem to me. [Laughter.]

General LUKEMAN. Sir, I better not presume to speak for him right now. I do not know if he has spoken definitively, but obviously I am going to have to find out.

Senator GLENN. Can you look at that and work with the other services and give us a letter back on that as to what general counsel says so that we get everybody lined up on this?

General LUKEMAN. Yes, sir.

Senator GLENN. General Ono, the Army had an ORKAND study. Its bottom line, as I understand it, is that revenue generating MWR activities could be run more efficiently and at substantial savings to the taxpayers if they are put under the Armed Forces exchange system. This would put some different control, accounting procedures and so on. I believe that is what the study recommended.

What do you think about that? Has that gotten any substantial review by other services or by OSD? Is that going to be implemented or would you recommend implementing that?

General ONO. The Army has contracted for that study. It was a very, very good and thorough look at our MWR activities and how we can be more efficient.

The Army leadership has chosen to take the features of that study and move in that direction by examining each revenue-producing activity one at a time to see whether it should be operated by the exchange service or through contract—in other words privatization directly with a firm or continue to be run by the installation.

That seems to us a reasonable approach; therefore, the context of the ORKAND, the principle and spirit of the ORKAND study are being followed.

Senator GLENN. How about other comments on that? Are the rest of you familiar with that study? Have you seen it, or do you have any comments on it, anyone?

General Lukeman, have you seen it?

General LUKEMAN. I have seen it, sir.

Senator GLENN. Is OSD prepared to comment on it?

General LUKEMAN. No, we are not. I think at this point, sir, the Army is still examining what they want to do under it.

Senator GLENN. It would be a big move if we would put all these MWR activities under an exchange system type reporting and control system. That would be a very major move in all the services.

General HICKEY. If you want a service view or opinion right now on whether or not we should adopt the ORKAND proposal to do that, then I will tell you that the Air Force would be opposed to that process primarily because of the way that we are structured and the way that we are organized right now.

We have a very strong desire on the part of our field commanders that they are responsible for the morale, welfare and recreation of their troops at installation level, and they want to maintain that control. We would have a very difficult time trying to talk all those people into giving that control over to a stovepipe centralized AAFES operation where they would see that no longer would they be in direct control of what happened on the base.

Senator GLENN. I do not know on the ORKAND study. I have not seen it or read it, and I am not that familiar with it. I do not know how far it goes, whether it would be the stovepipe type thing where you talk about where it would take control out from the local commander.

I think I would probably not be in favor of that complete a thing, but as far as the accounting procedures and centralized buying or whatever comes out of that study, it would seem to me that a lot of that might make some sense.

General ONO. What you were describing is the direction in which we are heading; not to go to a total stovepipe operation but to look at activities that fit within the exchange service well and to get those into the system.

General HICKEY. There are other aspects of that that we are already doing in a centralized base. We do centralized procurement within the MWR system within the Air Force now, and those processes are fine. I was just only commenting on the AAFES taking over the process.

Senator GLENN. I have not seen it either, so I would want to read it before I signed on also.

General Lukeman, your statement indicates, and I quote, "improved management can reduce appropriated fund support to clubs by about 20 percent or $40 million annually." I mentioned that a little while ago briefly.

You are suggesting we can reduce the 1988 budget request by $40 million?

General LUKEMAN. Sir, we have that cranked into our 1988 budget request. Now, the 1988 budget request is about $1.26 billion, I believe. The 1987 budget request was about $1.39. I think I am in the vicinity. There is some $130 million difference.

So, no, sir, I am not suggesting further reductions. Over time, however, there are going to be continuing savings.

Senator GLENN. If we can cut costs by 20 percent by improved management, are we doing it? Are we implementing these things? What are we doing? That is a big whack. That is big money.

General LUKEMAN. Indeed, it is, sir, and this process, of course, has been going on for many months. To figure out the system to which we want to move took us many months, and to get the consensus, as I mentioned before, was an extremely difficult thing.

Now we have the consensus, and we have to get cracking on the accounting systems, as the chairman just mentioned, that will permit us not only to do this but to be able to see that what we thought we did we actually did.

Senator GLENN. We want to follow up with you on this. We do not have time at the hearing this morning to go into all sorts of details.

General Hickey, were you going to say something here?

General HICKEY. Well, I was going to point out that we cannot claim a 20 percent efficiency in the clubs. What we were talking about is 20 percent reduction of the appropriated fund support, but the appropriated fund support is not the overriding support. There is an awful lot of revenue generated in nonappropriated funds that go into the total club financial structure.

So when you take 20 percent off the $60 or $70 million that we have done historically within the Air Force, that is probably some significant less portion of the total financial involvement of the NCO clubs.

I did not want to get off on the wrong track on what kind of a percentage change we were making in the overall efficiency. It is not that great.

Senator GLENN. We are going to have to move on to the next panel here. That sort of hits a potpourri across the board on things here, and it indicates our levels of interest in this.

I just want to make one statement before you gentlemen leave here. We are trying to work out the best efficiencies that we can in the spending of our money. No one is more supportive than I and members of this committee in what you are trying to do in MWR. We want to make sure that every dollar gets spent properly because that is the kind of fiscal environment we are working in right now.

I have been where you are, and so I know how valuable these programs are. I know what they mean to morale and to welfare. That morale feeds over, as someone said earlier, into combat efficiencies and so on, general attitude toward the service and the people you are with on the base and see every day and work with and play with and so on.

So these things, to me, are extremely important, and I want to support everything we can in this area. What we have been pointing out is the necessity to make sure that every buck spent out there gets spent properly and is not mismanaged and mishandled. That is just the way it is going to be.

Combined with that is the situation that with the policies of the administration now, we are putting as many of these expenses out of the Federal Government and back on to the locals, whether it is to the counties and communities and cities or whether it is on the individual in the armed services for what their recreation is going to be, how much of it they are going to provide themselves.

So this comes from the Commander in Chief, not from me. I wish we could provide more. I am committed to getting everything I can because I think this is important for you and for the people that you represent. I am not saying that just because of the hearing here. I have lived that way, so I can tell you of my support in this area.

At the same time, we are going to be critical when we see things where we feel there are management inefficiencies or the dollars are not being spent exactly the way they should be to get the most morale, welfare and recreation for the troops.

I just wanted to finish by making sure that you have my support, and I am sure I speak for other members of this committee also in trying to do our level best to help you do your job, too. We want to work together with you to make sure we do this.

Thank you much.

The next panel will take their place at the table, please. Maj. Gen. Peter T. Kempf, Air Force, Commander, USAF Tactical Fighter Weapons Center out of Nellis, Las Vegas; Col. W.E. Daniell, Marine Corps, Commanding Officer, Marine Corps Air Station, Kaneohe Bay, HI; Col. William Calhoun, Army, Director of Personnel and Community Activities, Fort Jackson, SC; and Mr. Bob DeVary, Morale, Welfare and Recreation Manager, Norfolk Naval Base, VA.

Gentlemen, we welcome you. We are sorry we had to keep you all waiting so long here, but it has been an interesting hearing. I am sure you found it interesting, too, to hear some of the testimony here this morning.

We first must look into some of the overall problems that we have at the policy level. You gentlemen are charged with executing some of these things and seeing that these programs work right out there in the field.

We welcome your comments this morning. Your entire statements, however long, will be entered into the record, and we welcome any abbreviations that you can make so we can hit the main points.

General Kempf, you are up first.

STATEMENT OF MAJ. GEN. PETER T. KEMPF, USAF, COMMANDER, USAF TACTICAL FIGHTER WEAPONS CENTER, NELLIS AFB, NV

General **Kempf**. Mr. Chairman, thank you very much for the privilege of appearing here. I have submitted a statement for the record.

I would like to make a couple of remarks, first of all to explain why I, as a Major General, am here while the rest of the panel members here are colonels. I am not here to defend the golf courses or to defend generals' privileges, but I happen to command the largest base in the Tactical Air Command, comprised of about 40,000 folks when you consider all the dependents, military and civilians and so on.

We are one of five bases in the command that is affected by the particular provisions of the public law regarding appropriated fund support to metropolitan areas.

I thought the chairman was very eloquent in his expression of the need to both introduce efficiencies and to make sure that we view this in terms of our overall budgetary situation right now.

From the field commander's perspective, I would like, without in any way being argumentative with the committee, to talk about another efficiency, however, and that is the military efficiency of the organizations, which I think is a more appropriate perspective at the field level.

We have currently at Nellis what is considered to be the best MWR program in the Tactical Air Command, and we think it is good because it is under our control, because we are held responsible for it, and because we, the commanders there, are the ones who are going to benefit most from the results of that particular program.

All of our metropolitan bases have significant general officer involvement in those areas where this legislation is going to have its most direct impact.

I believe that the combination of assumptions that underlay the provision to cut out appropriated fund support to metropolitan areas can graphically be pointed up in the Las Vegas area.

The assumption that all the activities that currently are supported on base would be available to the military member downtown is true only in the sense that we have something here that is not there. It is an entity that provides the same service. Availability, it seems to me, has to be judged in terms of the economic availability to our people, and I do not believe an economy such as Las Vegas, which is driven by tourists and therefore has a touristlike economic structure, is going to make it available to them.

In terms of golf courses, for example, no matter how much money they (military personnel) might have, a number of golf courses, at the times that my military people would be available to use them, are not available. You just cannot get a tee time no matter who you are.

Secondarily, it is an expense account economy, so the other users with whom we would be competing if we had to go commercial downtown, are disconnected from the personal impact of having to pay those particular prices.

This legislation is important to us and I think the chairman very eloquently said it when he talks about the fact that it goes right to the heart of our people programs. That is what this is all about.

I am not just talking about the senior ranking people. I am talking about the bulk of our people who will inevitably be more affected by this than would guys like myself. It is the two-, three- and four-striper who wants to avail himself of that full range of activities that Senator Stevens talked about that is going to be affected, and also the families.

As you all know, when we recruit the individual member, you retain the family. That is who we have to convince that they like the military way of life. That is who we have to convince to have a good attitude about their family separations and the sacrifices they make to defend our country.

The interviews that I conduct now with people who both stay and go overwhelmingly talk about the fact that it is the MWR program that remains one of the big separators in their judgment, because it is what gives them quality of life.

As we look at this piece of legislation currently, the bottom line fact would be if you accept the current provisions before the House with regard to a pay raise for this year, of 3 percent, although we would hope the Senate would prevail with their 4 percent initiative, but if we used that 3 percent initiative, we figure that about 39 percent of that raise will be used by the member to pay for his MWR activities when he goes into a new price structure to support the loss of appropriated fund support.

Finally, what bothers me about a lot of the proposals not only to deal with the problem but to solve it such as the AAFES proposal, will inevitably if they are implemented take away from the commander both his responsibility and his capability when it comes to influencing the state of morale in his command and retention.

We as commanders have a great deal of negative types of motivators that we can use to influence people's behavior. I can make them work 14-hour shifts, or, as Admiral Edney has pointed out so graphically, I can send them to the Persian Gulf and take them away from these facilities entirely.

We have, however, very few positive motivators, and the MWR program remains one of those. I think it is absolutely essential that that program remains clearly conceived as being a commander's program so that he gets the positive benefits of doing something for his people in return for those things that he is going to ask of them.

Finally, I am not an economist but it seems to me that we are dealing a little bit with an unknown here, and that is in the effect of this legislation. All of the assumptions of cure are that the participation levels will remain the same, and I am not sure at all that that is supportable.

My concern is that even as I look at it economically, if I make the assumption that the participation levels do stay the same and I have raised the dues and so on to garner the necessary income, that still does nothing for capital expenditures for big improvements.

We will get into a very vicious cycle of having facilities which cannot be improved for lack of capital, and as those facilities start to run down, then participation will run down. Then the dollars will get even less and we'll enter an inevitable death spiral in those areas such as golf courses and clubs and so on, and we will inevitably change the fundamental lifestyle that we in the military have enjoyed for a number of years.

Mr. Chairman, I do not want to leave the impression that we do not support and do not encourage the involvement of the Congress in this very critical area, because I think it has been your attention that has forced all of us to take a very careful look at what we are doing and to make the improvements that we have so far.

I have in my statement included a couple of charts, one of which is here in the hearing room, to show that, in fact, we have raised our prices about 20 to 25 percent across the board to try and offset this loss of appropriated fund support.

If you look at the other attachments to my prepared statement, which I do not have on a chart, if you use 1985 as a baseline when all this dialogue started about what we were going to do in MWR, we are down now at Nellis Air Force Base about 30 percent in our appropriated expenditures for MWR over that period of time.

So I think we have very definitely taken moves to meet the intent of the Congress.

Senator GLENN. How would those compare with off-base prices?

General KEMPF. If you look at the bowling lineage there, it runs about $1.40 downtown for line fees. You have to remember, though, that downtown these kinds of recreational activities are pretty heavily subsidized by gambling. That is why they are allowed at our particular installation to have such a close match. I do not know what would happen if—the situation was another base.

Senator GLENN. You are not dealing with just the average economy in Las Vegas.

General KEMPF. Yes, that is true.

Senator GLENN. How about green fees, things like that? Do you have a figure on those?

General KEMPF. We have two municipal couses in Las Vegas which are currently undergoing a change in management structure just like we are, going from essentially public run to private run on a contract basis. So we are not sure in the long run what the effect on their fee structure is going to be.

Right now, they (our fees) are comparable to about the E-6 and above levels there at the public courses. At the private courses, it is not a contest. You are talking there anywhere from $40 to $75 a round at those particular courses if you can get on at all.

Mess duties—in this case, there really is not an analogous kind of an activity downtown to an officer's open mess. If you use the country club, it is not even close. Even I would have to have a complimentary membership to afford to walk in the door.

So for us, at the field level, I do not see enough revenue based on fees to offset the expenses that will occur, particularly if you throw in facility maintenance and capital improvement. I just do not see that happening.

Finally, we are talking now about going to a business basis. At Nellis, as an example, at the same time we are talking about doing that, we would RIF out our management expertise.

We still in our messes, because of other legislation, have to pay competitive wage rates to our NAF employees compared with downtown, even though we are not really in that same labor pool.

Finally, at Nellis, we are living in about a 45-year-old officers club right now, and the Congress is currently withholding our money nonappropriated funds, for us to replace that facility.

So it seems to me there is a little bit of discontinuity here of trying to get us into the business mode but not giving us the flexibility to get there.

Finally, from a metropolitan point of view, it just seems to me there is a bit of inequity in this legislation. Because somebody gets assigned to a metropolitan base he is going to lose appropriated fund support. They are going to have to pay higher fees inevitably because they are assigned there.

At Nellis we have a particular problem because we have about 1,000 people a month that are TDY to Nellis. So our base is a home away from home for these folks. If those MWR facilities are not economical here and they close up, then essentially what we are going to do is to send people to town. When we do that we are going to house them on the base. We are going to try to get them to town without adequate public transportation. They are going to do all the things that young folks do when they get in a place like Las Vegas, and when they start driving back to the base with a load on we are going to start killing people.

So I submit in the long run it is better to keep them on the base and support them on the base so that we know what they do, where they are, and we can control their activities and socialize them to the military way of life.

So I hope we could live on more or less a fixed basis with the kind of appropriated fund support levels that we had in fiscal year 1987. We have shown that with significant management improvements we can live with those and make them work.

In any case, no matter what we do, I hope we get some relief from this metropolitan area business until we can see the overall impacts of both the general budgetary levels and how they will affect the appropriated fund support to all the activities that we have.

Thank you very much, Mr. Chairman.

[The prepared statement of General Kempf follows:]

TESTIMONY OF
MAJOR GENERAL PETER T. KEMPF
COMMANDER, TACTICAL FIGHTER WEAPONS CENTER
NELLIS AFB, NEVADA

Mr Chairman, members of the Manpower and Personnel Sub-Committee, I am Major General Pete Kempf, Commander of the Tactical Fighter Weapons Center, Nellis AFB, Nevada. I appreciate the opportunity to discuss a matter of extreme concern to me, and the members of my command--the reduction of appropriated fund support to select Morale, Welfare and Recreation revenue generator activities. I command the largest installation in Tactical Air Command (TAC) and one of the command's five metropolitan area installations-those most seriously and directly affected by section 9102 of PL-99-591. Nellis Air Force Base has a population of 12,000 military assigned, plus almost 30,000 family members, and 1,000 civilian employees. We are referred to by most Nevadans as the third largest community in the state with, I believe, all that is connoted by the word, community.

Even though Nellis is located 30 minutes from one of the great glittery areas of the western world, Las Vegas, we must depend on ourselves to provide the full range of off duty and family related activities that give meaning to our motto that the Air Force is a great way of life. Long work hours, absence of regularly scheduled public transportation-to and from the base, high off base recreational costs and the need to bond our people to the Air Force require us to provide for our people what I believe to be one of the most important institutional benefits-MWR. The fact is, when I talk to the troops or to their families about being in the Air Force, they tell me that, along with a reasonable paycheck, the lifestyle made possible by MWR activities is a big factor in the attitude they bring to the day-to-day challenges of serving their country in a military organization and an absolute key ingredient when it comes time to decide whether to stay or to go. The substantial reductions in appropriated fund support for MWR activities arising from PL-99-591 will be so substantial for the metropolitan bases and so abrupt in implementation that they cannot help but have a highly adverse effect on the programs. In some cases, it will harm them to the point of killing them, and hence seriously weaken that bond that attaches people to the Air Force because it is a great way of life. In this sense, it seems to me that the rather small amount of appropriated dollars used to make the full breadth of MWR activities viable is sound economics and one of the more effective means of protecting the investment we make in our people.

I am particularly concerned over the impact such actions will have on our enlisted personnel, especially our junior airman. As you are aware, military pay has not kept pace over the years. I believe we are now around 9.4% below the comparability level with our civilian counterparts. MWR, in combination with pay, are reasons why we are able to recruit and retain high quality people-and are substantial portions of our overall military benefits package. Cuts in appropriated fund support will mean higher fees and charges, reduced activities and recreational opportunity, and reductions in services. Taken together these actions will be viewed by our people as yet another erosion of benefits. If, for the sake of discussion, we assume a 3% pay increase for this year, we estimate a typical NCO and officer at Nellis will spend over 39% of their pay raise on increased fees and charges for MWR activities. I have attached a list of our past and current fees and charges for your information (atch 1). You will note that we have attempted to comply with congressional guidance by increasing our charges in every revenue generator. As you can see in attachment 2, we have reduced appropriated fund Operation and Maintenance (O&M) support to revenue-generating activities by approximately 30 percent in FY87 as compared to our FY85 baseline year. We now need time, and appropriated fund support at roughly FY87 levels to determine the overall effect on MWR participation.

Our military forces and their dependents deserve comfortable, convenient recreational outlets. In this regard, our open messes play an important role. I view open mess programs not as a bar/restaurant operation, but more as a vital contributor to our total way of life. It's a place where our troops can socialize with fellow Air Force members and their families.

We use our open messes as community centers-social outlets where our airmen build comraderie essential for force readiness. Military clubs are a tradition that contributes to environment building and espirit de corps. We also use them for official functions such as retirement ceremonies, commanders calls, flying safety meetings, civic gatherings and other official government functions. At Nellis you can almost consider the Officers' Club as a tactical training facility in that it serves as the focus for the unofficial mission rehash for the hundreds of aircrews that are TDY to Nellis each year for the worldwide tactical air force's most realistic combat training exercise series such as Red Flag. At the NCO Club, the thousands of support personnel garner the same benefits of an off duty association with their fellow professionals removed from the downtown casino environment. Our clubs also serve an important essential messing function. In addition to the day to day operation, during times of conflict, these clubs provide alternate messing facilities, and the assigned military would be called upon to feed the troops.

Our Bowling Center offers a recreational outlet for both military and dependents. The average bowler is an enlisted man between the ranks of Airman Basic and Technical Sergeant. Our fees and charges at Nellis are already comparable to the off base establishments which are subsidized in large part by gambling. An argument is sometimes made that the military could use those commercial facilities, but the fact is that it is virtually impossible for our people to use these commercial facilities during prime time hours. When people come off of 10-12 hour shifts, they need access to the recreational facilities then, not at the time dictated by operating hours and/or availability of a downtown civilian facility. We can assure our operating hours, the civilian community can't. Our golf course is saturated and during our peak season we turn away upwards of 1,000 golfers per week. Our fees are already comparable to the nearby local municipal courses which are not only saturated but are supported in part by local tax revenue. The Las Vegas area has too few golfing facilities to support local civilian demand making desirable tee times virtually impossible to get at either the municipal course or any of the well known private courses. In addition, green fees range from $38-$75 per round at the private courses making them unaccessible at anytime for most service people.

I believe, for these reasons, it is essential we maintain our military course at a reasonable cost to provide a golfing opportunity for our troops.

The major industry in the Las Vegas metropolitan area is tourism, based upon gaming and show business. The very nature of those businesses assures a premium price structure, substantial fluxuation in demand for recreational facilities and thus on their price structure, and generally an environment designed to separate people from their capital. I submit that our people, as temporary "residents" who must pay local prices but do not get localized wage rates, should not be forced to be a full-time tourist, because we do not provide an on-base, government supported MWR program tailored to their needs and their pocketbooks.

Two other areas that concern me are our civilian workforce and maintenance and repair of existing facilities. Our civilians have long been the backbone of the MWR structure. They are well trained, well motivated professionals who provide the continuity of operations for MWR. To terminate them now would cause an immediate management void and further exacerbate the funding cuts. Without appropriated fund support, they are faced with either a reduction-in-force or a move to a nonappropriated fund position where the benefits won't match those they are currently receiving. Should they seek employment elsewhere, the time to recruit and fill these positions with equally well qualified people will cause further degradation to our MWR programs. If we are to continue providing effective programs, it is absolutely essential to maintain continuity by preserving our appropriated fund people.

As appropriated fund support is removed from revenue generating activities, the capability for these activities to accumulate nonappropriated funds for capital improvements, renovations, and rehabilitation projects will be seriously diminished. Accordingly, we must retain appropriated fund support for structural maintenance and repair. Obviously we need to continue funding those indirect costs that result from broad military mission requirements that do not exist specifically to support MWR revenue generators. This support includes services like fire and police protection, medical and veterinary services, legal services, and government directed education and training.

When viewed from my perspective as a field commander responsible form morale, motivation and creation of unit cohesion, the potential negative effects of the law are matched by the proposed workarounds. In peacetime, Air Force leadership cannot consist entirely of Patton-like speeches as a means to overcome uncompensated "overtime", extended TDYs, family separation and the other factors which are part of the day-to-day military lifestyle. MWR is one of the few positive weapons left to the local commander in the war to shape his people's outlook. I neither need nor desire some centralized bureaucracy, including AAFES, running the program. MWR is, and should remain, the commanders' program-it's for his people and his purposes. Don't undermine it by fiscal starvation or non-local management. Provide an appropriatly capped level of appropriated fund support, for example, FY87 levels, adjust it for inflation or mission changes and let the local commander decide how best to meet the needs of his people. Then, make him accountable . If his MWR programs don't work, fire him but don't put fences around everyone's funds that will surely restrict the imagination, creativity and flexibility of all commanders.

In summary, without repeal of the metropolitan base restrictions, we risk significant impacts to our people and their families. We recruit the individual, but we retain the family. As such, it is absolutely essential that we provide all AF personnel and their families with the physical, recreational and social activities needed to continue their way of life. And we must do this with programs and services that are available, accessible, and at a reasonable and affordable cost. As I have said, our people are accustomed to high quality MWR facilities, programs, and services. Decreased appropriated fund support reflected in higher prices and decreased hours of operation and service send very negative signals to our people. It is another "erosion of benefits". Force readiness and mission effectiveness will suffer directly through reduced retention and less satisfied, less motivated military people and families.

The bottomline is that I strongly believe that recruitment, retention, and force readiness will be severely impacted unless relief is obtained to exempt metropolitan bases from significant appropriated fund cutbacks and restrictions.

Mr Chairman, I appreciate your time and the opportunity to address this all important topic. This concludes my testimony and I am now available for any questions you might have.

NELLIS FEES

	Prior to 1 Oct 86	Today
Bowling		
Open lineage	$ 1.10	$ 1.25
Golf		
Weekday green fee		
E1-E5	$ 4.00	$ 5.00
E6 and above	$ 5.00	$ 7.00
Weekend green fee:		
E1-E5	$ 4.50	$ 6.00
E6 and above	$ 5.60	$ 8.00
Annual green fee:	$160	$250.00
Officers' Open Mess Dues:	$12.00	$ 15.00
NCO Open Mess Dues:	$ 4.00	$ 6.00

NELLIS AFB NV
APPROPRIATED FUND SUPPORT
TO
MORALE, WELFARE AND RECREATION

OPERATION AND MAINTENANCE

ACTIVITY	FY85	FY86	FY87*
Bowling Center	$ 71,910	$ 108,570	$ 179,560
Golf Course	988,434	344,888	255,834
Class VI	795	25,364	25,223
NCO Open Mess	297,724	267,364	335,613
Officers' Open Mess	183,259	257,505	290,935
TOTALS**	$1,542,122	$1,003,691	$1,087,165

REAL PROPERTY MAINTENANCE

ACTIVITY	FY85	FY86	FY87*
Bowling Center	$ 30,943	$ 55,065	$ 75,511
Golf Course	663,592	250,088	162,063
Class VI	0	9,582	24,339
NCO Open Mess	36,388	48,294	76,212
Officers' Open Mess	25,446	63,880	94,207
TOTALS***	$756,369	$426,909	$432,332

*FY87 data is as of 31 Aug 87, as year end data are not available at this time.

** FY87 is a 30% reduction of our FY85 baseline year.

*** FY87 is a 43% reduction of our FY85 baseline year.

Senator **Glenn**. Thank you, General.

Col. W.E. Daniell, Marine Corps, Commanding Officer, Marine Corps Air Station, Kaneohe Bay.

Colonel, glad to have you with us.

STATEMENT OF COL. W.E. DANIELL, USMC, COMMANDING OFFICER, MARINE CORPS AIR STATION, KANEOHE BAY, HI

Colonel **Daniell**. Good morning, Mr. Chairman.

My current billet is the commanding officer of Marine Corps Air Station, Kaneohe Bay, HI. The air station is located on a 2,950 acre tract of land forming the Mokapu Peninsula on the northeast coast of the island of Oahu. It is geographically remote from the major population center on the southern part of the island.

Travel time between Kaneohe and Honolulu during nonrush hour traffic is approximately 30 minutes. During rush hour traffic, depending on occurrences on the Pall and Like Like Highways, it can range up to 1½ hours.

The air station is home to the First Marine Amphibious Brigade, Fleet Marine Force, Pacific. It is comprised of about 8,500 marines and sailors. The air station organization is structured to support brigade operation and contains about 870 military personnel, while employing 1,380 civilian employees. Approximately 4,900 military dependents live in 1,831 family housing units aboard the air station.

The air stations' morale, welfare and recreation programs are designed to provide marines and their families with recreation and service options at affordable prices. Such programs are essential to high morale, operational readiness and retention of dedicated, high motivated marines.

Assignment to an Hawaii tour of duty, however has its own set of problems. For a variety of reasons, appropriated funds are a necessary ingredient to the continuation of most support programs. The purpose of this presentation is to underscore the major factors influencing the need for this support.

We are presently an overseas location operating under CONUS rules. We are located approximately 2,400 miles from San Francisco and are geographically remote from the 48 contiguous States, a remoteness which creates difficulties for the military member which are similar in many respects to those encountered during assignments in foreign countries.

The only practical way to travel to Hawaii is by air. Although practical, it is also extraordinarily expensive, prohibitively so for many of our more junior enlisted personnel.

The service member in Hawaii does not have access to more economical transportation means available on the mainland to visit family and close friends. A Christmas trip home can easily wipe out a year's savings.

Families with older children in colleges and universities do not have the privileges available to their counterparts in foreign countries of annual free space available flights to the mainland and its return.

Since Hawaii is not regarded as an overseas location, commissaries are considered mainland stores and must pass along food transportation charges to the authorized patron, again adding an additional burden to an already high cost of living.

As the cost of living goes, the primary source of business revenue for Oahu is tourism. The inflationary impact of the resort economy is more keenly felt on Oahu than on the mainland because of the small isolated location and the difficulty in diversifying that economy.

Recreational activities are generally geared to the more generous pocketbooks of vacationers rather than the limited income of the year-round resident. Hawaii residents tend to stay away from tourist-oriented activities, concentrating instead on those pursuits which may be shared or enjoyed among their large extended families.

Lacking this opportunity, the individual military member has few acceptable alternatives for recreation in the civilian marketplace that can be supported by this limited income. This assumes, of course, that the activity he wishes to pursue is accessible at any price in a location proximate to his installation.

In many instances, the military member would have to compete with community residents for scarce activity resources, further exacerbating the cost considerations and alienating the adjacent civilian community with which it competes.

The situation is further compounded for the service member who deploys, leaving family members who must also cope with the effects of extended absenses of the military parent or spouse because of overseas rotational requirements and/or off-island training opportunities.

Routinely, at the air station on the brigade side of the house, up to one-third of an individual's tour is spent off island on scheduled deployments, and the remainder of the time he spends probably 15 to 18 percent on off-island deployment opportunities either on the mainland at 29 Palms or at the big island at the Pohakaloa training area or the multi-training sport facility.

For the military family environment, we frequently discuss the DOD focus on improvement of quality of life programs which are integral to the attainment of operational readiness, high morale and retention of highly qualified technicians and personnel experienced in the techniques that are successful in warrioring.

A prioritizing among these three objectives, I proffer, is irreconcilable. Each is innately bonded to the other. Sustaining a military lifestyle in the Hawaii environment is dependent upon continued appropriated fund support at levels adequate to ensure operation of both the revenue-generating activities and the nonrevenue-generating activities. Without such support, the spectrum of activities must diminish.

The cycle of support is broad based and dependent upon a myriad of perhaps seemingly unrelated events which, taken individually, do not portend to adverse system impacts and which may indicate a perceived benefit to the implementor.

For example, in the Continuing Resolution Act passed by Congress in 1985, the military services in the 50 States were required to procure all distilled spirits, wine and beer from in-State sources. Previously, all military activities in Hawaii had purchased alcoholic beverages in bulk through drop shipments, allowing economies of scale which lowered stock prices and increased marginal profits.

It should be noted at this juncture that we are addressing price theory, not cheap alcoholic beverages for service personnel.

The lowest cost of goods marked up to the level which is competitive with other providers and which retains the patron base provides the greatest marginal profit for the operation of our morale, welfare and recreation programs and their recapitalization. Milcon funding is appropriate for recapitalization of facilities, but an MWR activity is frequently too low in service priorities to make the cut, given available resources to satisfy all requirements.

Recognizing the windfall of profit taken by entrepreneurs who are essentially monopolies in the State of Hawaii, Hawaii passed in 1986 a bill which provided for a gallonage tax on the sale of liquor in addition to an existing excise tax. The gallonage taxes are paid at the distributor level and passed on to the retailers. That includes all of the military services.

I have provided two attachments to my statement which basically set out the variation in costs that we had for individual goods in 1985 compared with their current costs and the costs in 1986.

The bottom line is that the cost of goods has risen about 94 percent, while the retail cost in order to maintain our competiveness has risen only about 48 percent. This results in a 59 percent loss of revenue for the line items that we have depicted.

The combined effect of these two actions, while seemingly attractive to legislators and wholesalers, has severly crippled our ability to generate nonappropriated fund profits to support the morale, welfare and recreation programs at the same time period as cutbacks in appropriated funds seem eminent.

Corpswide, the consolidation of all NAFI activities is under evaluation. The consolidation includes exchange activities, clubs, morale, welfare and recreation services. Kaneohe Bay is in the vanguard of installations opting for the potential efficiencies and benefits of that consolidation.

A task force including representatives from our overseeing staff in Hawaii from Camp Smith and from the Marine Barracks in Pearl Harbor has been designated. The air station is recommending at this time that we consolidate all exchange and MWR activities under a single director in accordance with the current direction of the Headquarters Marine Corps Task Force for individual basis.

The air station has already begun to structure itself to facilitate reorganization under a single NAFI concept. Billets anticipated to be abolished under consolidation are currently left vacant as attritions occur.

Curtailment of operating hours is under scrutiny.

The category of employee requirements is being reviewed; for example, intermittent, intermittent part-times, part-times and full-time employees. Advantageous use of overtime versus additional employee hire is routinely considered.

Last, the introduction of user fees for services which have traditionally been gratis is being evaluated. Examples are use of the troop pool, fitness center, softball fields, et cetera.

In summary, we at the air station agree that certain MWR activities can be self-sustaining. We also must remember that synergistic benefits are derived from the judicious application of appropriated funds, the benefits from which are greater than the sum of its parts.

Efficiencies can be achieved in a more businesslike approach and greater profitability attained with the return of flexible sourcing to decrease our cost of goods.

Hawaii's remote geographic location imposes additional expenses on most service members assigned within its boundaries.

The lower income of more junior personnel in combination with the higher cost of living narrows the range of possible recreation entertainment options for those people.

The availability of wholesome and affordable recreation is an important factor in retaining high morale and retention among the operating forces.

Reduction in profits caused by increased costs of goods effectively eliminates alternate sources of revenue to implement effective MWR programs in support of that military lifestyle.

Continued appropriate fund support of MWR programs is essential to providing affordable quality recreation to service members and their families.

I would like to point out at this time, sir, that due to the remote location of Kaneohe and the lack of public service transportation, getting to any available source of recreational activity outside the confines of the Mokapu Peninsula is not available to an individual who does not own an automobile. Less than 20 percent of our sergeants and below have their own automobiles.

Of those who do, there are a large percentage who abandon those vehicles very shortly after they get them because they cannot afford the cost of insurance. I hate to say the lenders prey on them, but I cannot think of a different word to express that.

If you buy a decent automobile from a Hawaii lender, you must be able to pay off that automobile prior to the time that you leave the island of Hawaii. If you are suddenly in receipt of orders that bring you back to the mainland, prior to shipping your automobile on Government transportation it is required that you have a release from your lienholder. They are reluctant to provide those even to more senior officers.

So that leaves the individual who has this affordable loan, so to speak, for perhaps 3 or 4 years winding up having to pay it off at the end of 2 years, having paid most of the interest penalties up front. He winds up paying all of that to some other lending facility on the mainland who will accept his vehicle, if he can find one.

From our perspective, there is no alternative to provide appropriated fund support aboard the air station which allows him to pursue those things which make his life more tolerable within our austere service, sir.

[The prepared statement of Colonel Daniell follows:]

Prepared Statement of Col. Walter E. Daniell, U.S. Marine Corps, Commanding Officer, Marine Corps Air Station, Kaneohe Bay, HI

INTRODUCTION

Good morning Mr. Chairman, other distinguished members of the committee, I am Colonel Walter Earl Daniell; my current billet is commanding officer, Marine Corps Air Station, Kaneohe Bay, Hawaii. Marine Corps Air Station, Kaneohe Bay is located on a 2,950 acre tract of land forming the Mokapu Peninsula on the northeast coast of the Island of Oahu. It is geographically remote from the major population center on the southern part of the island. Travel time between Kaneohe Bay and Honolulu during non-rush hour traffic is approximately thirty minutes. The air station is home of the 1st Marine Amphibious Brigade, Fleet Marine Force, Pacific, comprised of about 8,500 marines and sailors. The air station organization is structured to support brigade operations and contains about 870 military personnel while employing about 1,380 civilian employees. Approximately 4,900 military dependents live in 1,881 family housing units aboard the air station.

DISCUSSION

The air station's morale, welfare, and recreation programs are designed to provide marines and their families recreation and service options at affordable prices. Such programs are essential to high morale, operational readiness, and retention of dedicated, highly motivated marines.

Assignment to a Hawaii tour of duty, however, has its own set of problems. For a variety of reasons, appropriated funds are a necessary ingredient to the continuation of most support programs. The purpose of this presentation is to underscore the major factors influencing the need for this support.

OVERSEAS LOCATION—CONUS RULES

The Hawaiian Islands are approximately 2,400 miles from San Francisco. Hawaii is geographically remote from the forty-eight contigious States, a remoteness which creates difficulties for the military member which are similar in many respects to those encountered during assignments in foreign countries. The only practical way to travel is by air. Although practical, it is also very expensive, prohibitively so for many of our more junior enlisted personnel. The service member in Hawaii does not have access to more economical transportation means available on the mainland to visit family and close friends. A Christmas trip home can easily absorb a year's savings. Families with older children in colleges/universities do not have the privileges available to their counterparts in foreign countries of annual, free, space available flights to the mainland and return. Since Hawaii is not regarded as an overseas location, commissaries are considered mainland stores and must pass along food transportation charges to the authorized patron, again, adding an additional burden to an already high cost of living.

COST OF LIVING

The primary source of business revenue for Oahu is tourism. The inflationary impact of a resort area economy is more keenly felt on Oahu than on the mainland because of the small, isolated location and the difficulty in diversifying the economy. Recreational activities are generally geared to the more generous pocketbooks of vacationers rather than the limited income of the year round resident. Hawaii residents tend to stay away from tourist oriented activities, concentrating instead on those pursuits which may be shared and enjoyed among their large, extended families. Lacking this opportunity, the individual military member has few acceptable alternatives for recreation in the civilian marketplace that can be supported by his limited income. This assumes, of course, that the activity he wishes to pursue is accessible at any price in a location proximate to his installation. In many instances, the military member would have to compete with community residents for scarce activity resources further exacerbating the cost considerations and alienating the adjacent civilian community. The situation is further compounded for the service member who deplores leaving family members who must also cope with the effects of extended absences of the military parent/spouse because of overseas rotational requirements or off-island training opportunities.

MILITARY FAMILY ENVIRONMENT

We frequently discuss the DOD focus on improvement of quality of life programs integral to the attainment of operational readiness, high morale, and retention of highly qualified technicians and personnel experienced in the techniques of successful "warrioring". A prioritization among these three objectives, I proffer, is irreconcilable. Each is innately bonded to the other. Sustaining the military lifestyle in the Hawaii environment is dependent upon continued appropriated fund support at levels adequate to ensure operation of both revenue generating and non-revenue generating activities. Without such support, the spectrum of activities must diminish. The cycle of support is broad based and dependent upon a myriad of perhaps seemingly unrelated events which taken individually do not portend adverse system impacts and which may indicate a perceived benefit to the implementer. For example, in the Continuing Resolution Act passed by Congress in 1985, the military services in the 50 States were required to procure all distilled spirits, wine, and beer from in-State sources. Previously, all military activities in Hawaii had purchased alcoholic beverages in bulk through drop shipments allowing economies of scale which lowered stock prices and increased marginal profits. It should be noted at this juncture that we are addressing price theory, not cheap alcoholic beverages for service personnel. The lowest cost of goods marked up to the level which is competitive with other providers and which retains the patron base provides the greatest marginal profit for operation of morale, welfare, and recreation programs and their recapitalization. (Milcon funding is appropriate for recapitalization of facilities but an MWR activity is usually too low in service priorities to make the cut given available resources to satisfy all requirements) Recognizing the windfall of profit taking by entrepreneurs who are essentially monopolies, the State of Hawaii, in 1986, passed into law a bill which provided for a gallonage tax on the sale of liquor in addition to an existing excise tax; the gallonage tax is paid at the distributor level and passed on to the retailers, including the military services. Attachment (1) provides examples of the 1985 cost versus the 1987 cost of selected distilled spirits. Attachment (2) provides a cost comparison of Budweiser beer as the existing situation developed. The bottom line is that the cost of goods (Budweiser in case lots) has risen about 94 percent while the retail cost (to remain competitive) has risen only about 48 percent (distilled spirits somewhat lower and widely varient) resulting in a 59 percent loss of revenue for selected line items. The combined effect of these two actions, while seemingly attractive to legislators and wholesalers has severely crippled the services' ability to generate non-appropriated fund profits for MWR programs at the same time period as cutbacks in appropriated funding seem imminent.

ON-GOING RESOLUTIONS

Corps-wide, a consolidation of all NAFI activities is under evaluation. The consolidation includes exchange activities, clubs, and morale, welfare, and recreation services. Kaneohe Bay is in the vanguard of installations opting for the potential efficiencies and benefits of consolidation. A task force including representatives from the staff of the commander, Marine Corps Bases, Pacific; Camp H.M. Smith; Marine Barracks, Pearl Harbor; and the air station has been designated. The air station is recommending consolidation of all exchange and MWR activities under a single director in accordance with the current direction of the headquarters, Marine Corps task force for individual bases. The air station has begun structuring itself to facilitate reorganization under a single NAFI concept. Billets anticipated to be abolished under consolidation are currently left vacant as attritions occurs.

Curtailment of operating hours is under continuing scrutiny. Category of employee requirements are under review. E.g. intermittent, part-time, full-time. Advantageous use of overtime versus additional employee hire is routinely considered.

Last, the introduction of user fees where services have traditionally been gratis is being evaluated. Examples are the troop pool (other than unit training), fitness centers, softball fields, etc.

SUMMARY

While we agree that certain MWR activities can be self-sustaining, we must remember that synergistic benefits are derived from the judicious application of appropriated funds, the benefits from which are greater than the sum of the parts. Efficiencies can be achieved and a more businesslike approach and greater profitability attained with the return of flexible sourcing to decrease the cost of goods.

Hawaii's remote geographic location imposes additional expense on most service members assigned within its boundaries.

The lower income of more junior personnel, in combination with the higher cost of living on Oahu, narrows the range of possible recreation and entertainment options.

The availability of wholesome, affordable recreation is an important factor in maintaining high morale and retention among the operating forces.

Reduction in profits caused by increased costs of goods effectively eliminates alternate sources of revenue to implement effective MWR programs in support of the military lifestyle.

Continued appropriated fund support of MWR programs is essential to providing affordable, quality recreation to service members and their families.

ATTACHMENT 1.—COST COMPARISON, DISTILLED SPIRITS

	December 1985 out-of-State (tax free)	March 1986 in-State (tax free)	July 1986 in-State (taxed)	Percent of change December 1985 to July 1986
Seagrams 7 (1L)				
Wholesale	$5.54	$7.28	$8.99	60
Retail	8.35	9.90	10.50	26
Delta	2.81	2.62	1.51	
Popov vodka (1.75L)				
Wholesale	5.67	8.28	10.91	92
Retail	8.50	10.45	12.75	50
Delta	2.83	2.17	1.84	

ATTACHMENT 2.—COST COMPARISON, BUDWEISER BEER

	December 1985 out-of-State (tax free)	March 1986 in-State (tax free)	July 1986 in-State (taxed)	Percent of change December 1985 to July 1986
Wholesale	$5.94	$9.60	$11.55	94
Retail	8.50	11.55	12.60	48
Delta	2.56	1.95	1.05	

Senator GLENN. Thank you very much.

Col. William Calhoun, U.S. Army, Director of Personnel and Community Activities at Fort Jackson, South Carolina.

Colonel.

STATEMENT OF COL. WILLIAM R. CALHOUN, JR., USA, DIRECTOR OF PERSONNEL AND COMMUNITY ACTIVITIES, FORT JACKSON, SC

Colonel CALHOUN. Good morning, sir. It is a pleasure to be here to talk about our MWR activities at Fort Jackson. I am Col. Bill Calhoun, Director of Personnel and Community Activities at Fort Jackson.

My responsibilities at Fort Jackson include overseeing the military personnel functions, the civilian personnel functions, morale, welfare and recreation activities, family support programs, the education services and equal opportunity.

I have submitted a statement for the record. I would like to supplement that today with some discussions of how we intend to cope with the designation of a metropolitan installation. We were so designated on July 8, 1987, and the restrictions take effect, of course, as of October 1.

We do feel that we will be able to absorb the loss of this support. It amounts to $640,000 in appropriated fund support to Fort Jackson, specifically to the profit generating activities on Fort Jackson, without a major increase in fees and charges. You can see from the chart there that we do intend in the near future to increase fees and charges.

There are three basic reasons I feel that we are able to do this. First of all, we have been operating successfully under the one fund or the Single Fund concept for 4 years. We have become more businesslike in the way that we conduct ourselves.

For instance, in the officers club over the past 4 years we have dropped our labor over 50 percent, from about 160 people employed there to roughly 60.

We have also made some full-time people part time, some part-time people intermittent. So we have reduced our labor costs substantially.

Senator GLENN. With that kind of a labor cutback, have you been able to keep about the same services?

Colonel CALHOUN. Sir, we have been able to keep pretty close to the same services. We have been able to keep enough to keep our customers coming back which, for our purpose, is the most important thing.

Over that 4-year period of time, we have raised some prices in the officers club and other places also. My point is that we are becoming more businesslike in the way that we conduct all of our activities under the Single Fund.

Of course, the Single Fund also requires these moneymaking activities to provide sufficient funds to fund our sports program, to fund our child development center, to fund the youth activities program and many other of the programs that we consider services to our on-post community and those in the off-post community who are authorized patrons. So the Single Fund has done a world of good for us.

The second thing that allows us to cope with this $640,000 decrease in support is the fact that we do have a Burger King on Fort Jackson. That has contributed $112,000 to the Single Fund in fiscal year 1987. It is something that if other places do not have it, they do not have the advantage we have in that regard.

The third and a key element in our ability to absorb this decrease of support and still break even with the Single Fund is $7,200 profit on $9 million or so in revenues.

The major factor in being able to generate that profit is the telephone contract we have. We had a contract in fiscal year 1986 before the national contract went into effect with Southern Bell, whereby we got 6 percent of the revenues from long distance calls made from pay phones on the post.

A national contract through AAFES has now been established, and we should get roughly 16 percent of those revenues. That amounted on Fort Jackson to $469,000 last year.

Realize that we are a training installation with roughly 70,000 trainees going through there every year, 50,000 basic trainees and 20,000 in advanced individual training. Needless to say, they want to call home often. They want to call the girlfriend or boyfriend, and they are heavy users of pay telephones. That has been a godsend to us. If we did not have it, we would be in dire straits with the metropolitan designation.

Senator **Glenn**. That is one with which I am not familiar with.

General Kempf, do you have that in Las Vegas? You have a lot of folks going through Nellis on a temporary basis.

General **Kempf**. We do, but we have a telephone contract. We do not have the same type of transcient population there.

Senator **Glenn**. No, you do not. Theirs is different, but you still have a lot of calls. I was just thinking of Nellis and all the people coming in red flag and so on, all the activities you have going on there. You have a lot of transcient people, too.

Do you get a percentage from the telephone company?

General **Kempf**. It is at the Air Force Welfare Board, so we could provide that.

Senator **Glenn**. Go ahead, Colonel. I am sorry to interrupt you.

Colonel **Calhoun**. Sir, I would point out there are not many installations that have this same audience that we do, that would be as susceptible to making the volume of phone calls that they make from Fort Jackson. Trainees, given the stress that they are under, are much more likely to be making phone calls than the people who have a greater variety of activities. [Laughter.]

Senator **Glenn**. I will not contest that statement.

Colonel **Calhoun**. Sir, I would also point out with the trainees there, we have essentially a population that we keep on post. The basic trainees do not go downtown at all. So any talk of competition for facilities downtown does not pertain to them.

The advanced individual trainees have very limited freedom to go downtown. They cannot go into town just any day during the week. If they are passing their academic subjects, if their conduct is good and if their drill sergeant says that their attitude seems to be good, they are allowed to go after 28 days from 13:00 on Saturday until 18:00 on Sunday, which is not a whole lot of time given the whole week.

So for most of the week, all of our trainee population is dependent on the recreational activities on post.

We see that also as contributing to their training. Our motto at Fort Jackson is "Victory starts here", and a large part of victory starting is developing, the cohesion between those individuals and between the individuals in the institution. That comes by association in our clubs, in our bowling centers, and in the other facilities that they go to jointly.

I think on that basis alone that there is a call for appropriated fund support for those activities. They will not be able to go to those downtown.

That concludes my statement.

[The prepared statement of Colonel Calhoun follows:]

PREPARED STATEMENT BY COL. WILLIAM R. CALHOUN, JR., DIRECTOR OF PERSONNEL AND COMMUNITY ACTIVITIES, FORT JACKSON, SC

I am Colonel William R. Calhoun, Jr., the director of personnel and community activities for Fort Jackson, South Carolina. I have been the DPCA for 14 months, and have, therefore, been present during the transition from a "non-metropolitan" to a "metropolitan" installation.

Fort Jackson has been blessed with generally excellent facilities to support our community and family activities. We have an officers' club with two annexes; an NCO club with two annexes (one of which is reserved for AIT trainees); an 18-hole golf course; a package beverage store; two 24-lane bowling centers (one of which is likewise reserved for use by AIT trainees); a sutler store to sell T-shirts and souvenirs; four swimming pools, including one indoor 50-meter pool; a fitness center; multi-craft, auto, and woodworking craft shops; a community/recreation center with an integral ITT operation; an excellent outdoor recreation area with boating/fishing and camping/travel park area; a library; a child development facility with a capacity of 392 children; a skating rink; a hunting/fishing/outdoor recreation center; and several areas for various types of outdoor recreation. We currently have a new youth center under construction. Two facilities need to be replaced (the package beverage store and the woodworking shop) and the golf course needs a 9-hole addition. With this catalog of facilities, and relatively few needing major work, Fort Jackson has a well developed infrastructure for community and family activities. Obviously, however, maintaining and refurbishing this infrastructure is a costly endeavor.

The Army, several years ago, designed a system to provide sufficient funds for operating expenses and capital improvements to the existing community and family infrastructure. The system provided is called the single fund. The basic feature of the single fund is that all nonappropriated fund activities on an installation (less AAFES and the chaplains' fund) are merged into a single financial entity. Through that mechanism the profit-making activities provide funds for capital improvements and operating expenses for the non-profit making, service activities such as the sports program, the child development center, the library, and youth activities. The money-making activities also pay for the common support activities such as unit funds, central accounting, NAF procurement, the NAF branch of the CPO office, and NAF supply and maintenance activities that have the potential to make a profit. Fort Jackson has been under the single fund for four years and our profit-making activities have successfully met the challenge of keeping our non-profit making activities afloat and of paying for the common support services. It must be added, however, that we have had, until 1 October of this year, some appropriated fund support for our profit-making activities. We were authorized to use appropriated funds for supplies and to reimburse some post engineer support for utilities, grounds maintenance of the golf course, custodial support, and maintenance of equipment.

Sec. 9102, P.L. 99-591, 30 Oct. 1986, however, terminated appropriated fund support to morale, welfare, and recreation activities in large metropolitan areas, effective 30 Sep. 1987. Fort Jackson was classified as a metropolitan area on 8 July 1987. The effect of being declared a metropolitan installation amounts to a charge of approximately $640,000 to our single fund.

Because of the present strength of our single fund, we feel that we will be able to absorb this reduction in support without any immediate increase in fees or charges. We are, in fact, reluctant to pass this added expense on to the soldiers and family members on Fort Jackson. There are two reasons for this. First, such price increases have a tendency to be self-defeating; they drive customers away. Second, we realize that it is to our benefit to have our soldiers and family members in facilities on post. Moreover, the Army's readiness will benefit by enabling soldiers, and their family members, to participate together in off-duty, social and recreational activities. The basic reason for this is that cohesion, the sine qua non of effective units, is built only by association. People need to be bonded to each other before they can be bonded to their unit or mission. Informal, social contact with other members of the unit is at least as important, and probably more, in the development bonding as on-duty activities. This social contact is especially important in an army that draws people from a society as diverse as that of the United States. People from different parts of the country, with different ethnic heritages, and holding different values must, in fact, have relatively close social contact before they can truly overcome the stereotypes and prejudices with which we all, to one degree or another, begin. When soldiers go off post for recreation they naturally proceed to places that are most comfortable for them. That is normally where people are most like themselves. The Army thus loses the opportunity to bond its people; in some instances, the off-post places that soldiers might go can in fact, reinforce negative stereotypes.

Not only must the Army facilitate the bonding of individuals, it must also foster the bonding of the individual to the institution. If soldiers are to accept the institution's mission they must identify with the institution to a fairly high degree. Certainly if we are going to retain soldiers, we must cause them—and their spouses—to identify with the Army. Such institutional identification is, of course, primarily a product of the individual's duty assignment and unit leadership. It is also influenced, however, by the soldier's perception of how the institution at large treats him. Soldiers' spouses will react even more dramatically to their perception of the institution's support or non-support, as they do not have the unit level contact the soldier has. Moreover, if we want to retain a soldier, it is virtually imperative that we retain the spouse. Our morale, welfare, and recreation activities are tangible statements of the Army's appreciation, or lack thereof, for its members. Raising prices is perceived as a lack of appreciation of the soldier's reduced financial situation, that we are "ripping them off." We have, therefore, chosen not to raise prices. There is already a perception that benefits are eroding and we do not want to add to that negative perception.

Without raising prices, we project that our single fund will just about break even for fiscal year 1988. We have postponed some capital projects and may seek alternatives to others. If our facilities become shabby, we are sending a negative message to our soldiers and their families. That not only acts to lessen the soldier's identification with the Army, it also causes them to seek their recreation elsewhere and soldier-to-soldier bonding suffers.

FEES AND CHARGES

	Preurban	Urban
Officers' clubs	$15/month	No change.
NCO clubs	Variable cover charge	Do.
Bowling centers	League: $1.05/line. Open: $.90/line (until 1800 hrs.); $1.30/line (after 1800 hrs.). Shoe rental: $.50 per pair.	Do.
Golf course	Annual greens fee: Single $25/month; Family $35/month (2 members), $5/month (each add'l member)..	Do.
	Daily greens fee: Patron: WD $8/18 holes, WE $10/18 holes. Civilian guest: WD $10/18 holes, WE $12/18 holes..	Do.
	Cart fee: Patron $6/9 holes, civilian guest $7/9 holes	Do.

APF SUPPORT

	Fiscal year—		
	1986	1987	1988
Officers' clubs	192,629	153,938	14,700
NCO clubs	234,430,	187,618	18,700
Bowling centers	74,502	77,514	12,500
Golf course	68,682	138,879	50,100
Package beverage store	844	1,491	800

Senator GLENN. Thank you very much, Colonel.

Next, Mr. Bob DeVary, Morale, Welfare and Recreation Manager, Norfolk Naval Base, VA.

Bob, welcome.

STATEMENT OF BOB DeVARY, MORALE, WELFARE AND RECREATION MANAGER, NORFOLK NAVAL BASE, VA

Mr. DEVARY. Good afternoon. I would like to give you my perspective as the guy down there doing it at the department head level.

Our population consists of 19,000 active military personnel who are assigned. We have approximately 70,000 people that are assigned to ships homeported in Norfolk and 87,000 dependents military members assigned to Norfolk. We are the largest employer in the State of Virginia. We put more money in the State of Virginia than any other employer. We are huge. We are crowded.

Recently, we did a leisure time survey at Norfolk. The Navy calls it Project Smart Compass. We asked all of our survey respondents whether it will give a positive or negative effect on their quality of life if they lost their leisure services. Seventy-one percent of them came back and said it would have a very definite negative impact on them.

Reduced funding levels are going to either require us to totally eliminate some programs or services or make a reduction in the level of services in some of our programs or increase our fees to compensate.

When we raise a price or we knock something off, rightly or wrongly that is perceived as an erosion of benefits, and the sailor gets very upset about that type of thing.

Our base club system is a multirange operation. We offer an officers open mess, a chief petty officer mess open, and an enlisted mess open. The same study also said that our club was a very definite point for our facilities that our people use.

In our clubs, it is not uncommon for us to use them for civilian and military prayer breakfasts and to do a lot of other things.

Our clubs are very important to us on the naval base for the simple idea that they provide essential feeding for the massive population we have. We do not have officer feeding on base in the galleys. There are no more closed messes on board the naval bases. Sometimes our clubs have to feed people their breakfast, lunch and the evening meal. We need the clubs badly for that.

Our facilities are limited in their patron base because we are very security conscious at Norfolk. We do not let just every Tom, Dick and Harry in on the base. It is not like the place downtown on the street where any customer can walk into it.

The loss of appropriated fund support will be about $896,000 per year to us in our club system, and I have provided these numbers on my attached statement.

Senator GLENN. It will be included in the record.

Mr. DEVARY. Yes, sir.

This is of necessity a general reduction in force of 12 billets at this time and curtailed service. We have closed the clubs actually on certain days and reduced hours drastically.

Meal prices have been raised from 10 to 40 percent, as I have shown up on the chart. I have given you at the bottom of the chart there some representative meal prices. In the enlisted mess, we took the steak dinner from $4.95 to $6.95. We are getting very close now to what the Sizzlers would have out in town. Their price will run $6.50 to $7.00 in Tidewater.

The seafood buffet went from $9.95 to $11.95. I pick just one out of each one of our prices, but this is all the way across the board.

In our recreation revenue generators, which are the bowling alleys, the golf courses and the marinas, we use upwards of $283,000 in appropriated fund support. These costs are primarily utilities and basic facility maintenance costs.

The basic facility maintenance costs worry us as much as anything else because down the line when things need to be fixed, are they going to be fixed properly; are we going to have enough funds to fix them properly, or is that going to be a compounding problem as it comes on down the line?

We have a problem with surcharging on utilities through our public work center. This presents a problem to us because our utilities are high.

A lot of people think that these revenue generators are used by officers. They are not. Over 80 percent of our bowling customers are enlisted. Sixty-two percent of our golfers are from the enlisted community. Obviously, the enlisted clubs are for our enlisted community.

We believe that we can follow orders and we will not close down anything at Norfolk, but we think continuing erosion of appropriated funds will have a very definite impact on the MWR program as the military man knows it today and will be another erosion of his benefits. We will get the job done, sir. We will do it.

[The prepared statement of Mr. DeVary follows:]

PREPARED STATEMENT OF ROBERT E. DEVARY

Mr. Chairman, I am Mr. Robert E. DeVary, recreation director, Naval Base, Norfolk, Virginia. It is my pleasure to provide a synopsis of the Navy recreation program from the perspective of a field manager.

It is the intent of my presentation today to discuss the following aspects of the Navy's morale, welfare and recreation (MWR) program from a local base viewpoint: What it is, scope, the need for such programs, impact of reduced funding, Navy uniqueness, fleet recreation support, and club programs.

Enhancing the quality of life of Navy members and their families is an integral and vital part of the human resources management responsibility involved in the Navy's overall fleet mission. While policy direction and technical guidance for recreation and club activities is provided by the chief of naval personnel, local administration is a command responsibility. Execution of the day to day management of local activities is best accomplished by the on site commanding officers—using those resources that are legally available to them in the areas of personnel resources and financial support. I am the person that oversees and direct the management of an extensive, multi-faceted recreation program for a naval station commanding officer and a base commander.

What is MWR? Borrowing from a Department of Defense directive, MWR activities are those activities located on military installations or on property controlled by a military department, or furnished by a DOD contractor which provide for the comfort, pleasure, contentment, and mental and physical improvement of authorized DOD personnel in terms of providing recreational and free time programs, self-development programs, resale merchandize and services, and general welfare.

I share the conclusion of Congressman Dan Daniel that this area of activity is misnamed. It smacks of the softball league or bowling team—something which may be fun, but is hardly earthshaking.

To further quote Congressman Dan Daniel, MWR is libraries. It is gymnasiums and recreation facilities for the men and women in service for whom there is a requirement that they be physically fit and for their families. It is day care centers for the children of service personnel—centers which sometimes make the difference between a spouse's working or not working. There is no provision for willing grandmothers in Navy regulations, and no money for hired sitters in the enlisted person's budget. It is an enlisted recreation center that serves as a "home away from home."

The Navy's recreation program is located principally at shore stations and bases worldwide; however, recreation programs are also provided as well on Navy ships. While our primary patron, the active duty officer or sailor, numbers over 500,000, to this add the dependents of naval personnel which creates a user population in excess of two million people.

At Naval Base Norfolk, our user population consists of 19,000 active duty personnel assigned to shore commands, approximately 70,000 personnel assigned to ships homeported at Naval Station, Norfolk, 87,000 family members of active duty personnel, and 22,400 retired personnel.

Our recreation program is vital to the morale of men and women stationed at Naval Base Norfolk. The program is justified on its contribution to combat readiness and retention. We believe in the correlation between recreation and combat readiness. The sailor that engages in positive recreational outlets goes to work the next day refreshed and better prepared to cope with the stresses and nuances of military duty. He or she is also more physically fit and mentally alert. The effectiveness or retention side of the MWR equation is equally important. For this reason, our objective is to provide a community support environment for service members and their families.

Our programs also provide alternatives to substance abuse and boredom, teach recreational skills, and provide an outlet to loneliness. Recreation programs provide opportunities for socialization or other outlets to combat loneliness experienced by military personnel on board ship, at remote duty stations, or members new to the military environment and away from families for the first time.

Let me assure you the sailor will feel the impact of reduced funding. As part of the recent leisure needs survey at Naval Base Norfolk called "project smart compass", respondents were asked whether removal of Navy recreational services would have a positive, negative, or have no effect on their quality of life; 71 percent of active duty respondents said that such a reduction would have a negative impact on their quality of life.

Reduced funding will require either total elimination of some programs/services, a reduction in the level of services in some programs, or an increase in fees to compensate for the funding reduction. Such shifts are regrettably viewed by the sailor as a further erosion of benefits.

While the basic recreation needs of the sailor are no different than those of the soldier or airman, and our concepts of recreation program operation are generally the same among the services, the Navy does espouse a certain uniqueness. Large numbers of personnel are assigned to afloat units which are in a constant state of mobility. This creates great fluctuations in the number of personnel at fleet support activities at any given time. A lack of adequate recreation space is sometimes a handicap to the program due to peak loading. Therefore, fleet support activities must maintain flexibility in their recreation programs necessary to accommodate such fluctuations. In our case, for example, overnight the number of aircraft carriers in port at naval station can go from 2 to 4, with its concomitant surge in personnel loading. Facilities suddenly become greatly in demand.

Family members of active duty personnel get our full attention. The numbers of homeported ships and personnel attached means there are literally thousands of families left behind by deployments that need our recreation services. That is one of the reasons why we developed an extensive youth recreation program in our remote Government housing areas. Many of our classes of instruction are scheduled in the evenings to accommodate dependents. According to our survey, about 55 percent of dependent spouses work outside the home.

Fleet recreation support is spearheaded by my fleet recreation coordinator. His mission is to provide day to day assistance to afloat commands and personnel assigned the collateral duty of recreation officer in the management of ship board recreation programs and funds.

He is the man who marries the shore program and facilities with the afloat unit. The fleet recreation coordinator has been judged a success. At naval base we have seen a steady upward trend of fleet personnel participation in our ashore program and have seen increased responsiveness to fleet recreation needs.

Our base club system is a multirange operation consisting of an officers mess open, chief petty officer mess open and enlisted mess open. The aforementioned leisure needs study likewise indicated that these facilities were also meeting the needs of our personnel. Our clubs are used not only to provide for off duty recreation, and dining but are essential in providing feeding facilities for our personnel who elect not to use the general mess. The club facilities are also used to support community relations. It is not uncommon for civilian/military prayer breakfast to be held in the facility or for other such uses. The elimination of appropriated fund support to these facilities is of great concern.

The facilities are limited in their patron base. Government family housing is widely separated from the base and public transportation is non-existent. The loss of appropriated fund support will be $896,000 to our clubs. This has necessitated a general reduction in force of 12 billets at this time and severe curtailment of services offered. Meal prices have been raised from 10 percent to 40 percent and portions have been reduced.

In our recreation revenue generators we will lose upwards of $283,000 in appropriated fund support. These costs were primarily utility and basic facility maintenance costs. To offset this loss we have increased prices by 25-30 percent. As Admiral Edney points out in his statement for the record, an E-4 in Norfolk has only $57 per month for recreation and such an increase has a measurable impact on this pocketbook.

I hope it is not perceived that the food and recreation price increases I've mentioned are being primarily absorbed by the officer personnel. Over 80 percent of our bowling customers are enlisted and 62 percent of our golfers are from the enlisted community. It is obvious that enlisted clubs are patronized by enlisted personnel.

In conclusion, we are following orders. We won't close down tomorrow, but a continuing reduction of appropriated fund support can well spell out the demise of the military recreation program. Thank you for your interest in this problem.

NAVSTA/NAS NORFOLK FEES

	Prior to Oct. 1, 1986	After Oct. 1, 1987
Bowling: Open lineage	$0.75	$1.00
Golf:		
Weekday green fees	5.00	6.00
Weekend green fees	6.00	8.00
Annual green fees	300.00	375.00
Marina: Per foot/per month	1.50	1.50
Open Mess:		
Enlisted club, steak dinner	4.95	6.95
CPO club, seafood buffet	9.95	11.95
Officer's club, seafood buffet (reduced selection)	13.50	14.95

NAVAL BASE NORFOLK APPROPRIATED FUND SUPPORT OF MORALE, WELFARE AND RECREATION ACTIVITIES—FISCAL YEAR 1986 ACTUAL

[In thousands of dollars]

Category of expenses	Golf	Bowling	Marinas	Clubs	All other	Total
Applicable Appns: O&MN:						
Civilian personnel		21.5		94.0	180.3	295.8
Travel/transportation of people					4.2	4.2
Transportation of things						
Rents and utilities	27.5	128.7	1.2	270.6	756.7	1,184.7
Communications	2.4	2.3			28.6	33.3
Supplies				0.2	77.2	77.4
Equipment (Exp-Tp)					0.8	0.8
Maintenance and repair/minor construction	33.1	50.5	8.2	305.3	1,781.2	2,178.3
All other expenses	3.0	4.6		[1] 419.2	260.7	687.5
Total	66.0	207.6	9.4	1,089.3	3,089.7	4,462.0
Military Personnel: MPN					654.0	654.0

[1] Includes $359.8K for essential meals.

NAVAL BASE NORFOLK APPROPRIATED FUND SUPPORT OF MORALE, WELFARE AND RECREATION ACTIVITIES—FISCAL YEAR 1987 ACTUAL

[In thousands of dollars]

Category of expenses	Golf	Bowling	Marinas	Clubs	All other	Total
Applicable Appns: O&MN:						
Civilian personnel	—	2.0	—	61.0	227.7	290.7
Travel/transportation of people	—	—	—	—	5.0	5.0
Transportation of things	—	—	—	—	—	—
Rents and utilities	7.4	35.6	0.4	180.8	778.2	1,002.4
Communications	2.6	2.0	—	—	32.0	36.6
Supplies	—	—	—	—	233.0	233.0
Equipment (Exp-Tp)	—	—	—	—	57.1	57.1
Maintenance and repair/minor construction	15.5	39.4	—	203.3	1,239.9	1,498.1
All other expenses	—	—	—	197.2	283.7	480.9
Total	25.5	79.0	.4	642.3	2,856.6	3,603.8

NAVAL BASE NORFOLK APPROPRIATED FUND SUPPORT OF MORALE, WELFARE AND RECREATION ACTIVITIES—FISCAL YEAR 1988 PLAN

[In thousands of dollars]

Category of expenses	Golf	Bowling	Marinas	Clubs	All other	Total
Applicable Appns: O&MN:						
Civilian personnel	—	—	—	—	188.0	188.0
Travel/transportation of people	—	—	—	—	2.0	2.0
Transportation of things	—	—	—	—	—	—
Rents and utilities	—	—	—	—	784.7	784.7
Communications	—	—	—	—	33.0	33.0
Supplies	—	—	—	—	98.0	98.0
Equipment (Exp-Tp)	—	—	—	—	—	—
Maintenance and repair/minor construction	10.6	42.1	1.0	191.4	1,030.1	1,275.2
All other expenses	1.2	4.8	—	1.8	324.7	332.5
Total	11.8	46.9	1.0	193.2	2,460.5	2,713.4

Senator GLENN. All right, thank you. Good.

Burger King has come into the conversation a few times here this morning.

Have you had any complaints from off base? That is one of the things we have run into at some other places. We have had the most horrendous comments you can imagine from some of the competitors who were not permitted to be on base.

Have you run into any problem with that?

Colonel CALHOUN. Sir, I was not there when the initial discussions were held.

Senator GLENN. You are lucky. [Laughter.]

Colonel CALHOUN. I sat next to the president of the Rotary Club at a luncheon at the officers club the other day, and he said that one of his clients who owned, I guess, three or four Burger Kings came to him to institute a suit, and the lawyer convinced him not to do so because the suits had been lost elsewhere.

Senator GLENN. How about McDonald's and Wendy's, Taco Bell and everybody else? Are they complaining? Have they complained about Burger King being on base?

Colonel CALHOUN. Not to us, sir.

Senator GLENN. How about the rest of you that have facilities on base? Do you have any problems?

Colonel DANIELL. I have a Burger King on base, sir, and I have had absolutely no indication from anyone in the community that they were opposed to it.

Mr. DEVARY. We have Burger King and McDonald's in Norfolk, and there is no problem.

Senator GLENN. That is good. We have had complaints in the past about some of these things, and I have had comments from some other base commanders about some of the difficulties of this when they tried to move something on base like that.

You are in big business, and it is for a specific purpose. You are businessmen in this respect. You are like anybody else. You have some appropriated funds, but basically you are operating off of funds you generate. You are businessmen.

Do you draw up a business plan each year and submit that? Is there any review of that? Does it go to higher authority? Are you autonomous? Are you strictly on your own with this?

General.

General **Kempf**. A little bit of both.

Senator **Glenn**. I am saying this. If I were running a business and I was on the outside or you were, too, you would be drawing up your plan for the new year. Here is your projection. I am going to have to borrow this from the bank. I am not borrowing this from the bank. My inventory is going to be so and so. You have to set down your whole business plan.

Do you do that with your MWR activities?

General **Kempf**. Yes, sir, every bit of it. This man right here, Colonel Ludwig, is my chief of MWR, and that is his responsibility. He has the budgeting responsibility and the programmatic responsibility for that particular area.

It is no different than flying hours or anything else. We put it all into the budget and submit it. The higher headquarters gives us their guidance. It goes on to the air staff and eventually ends up I believe, in that Op. 34 report which you were looking at earlier. It gets total scrutiny, just as any other line item.

Senator **Glenn**. This is drawn up just like a business would be the first year or fiscal year or whenever? You draw up a real plan? Here is what we are going to have for the coming year. Here is where our profits and losses will probably be. We are going to make this much and not make this much.

Do all of you do that?

Colonel **Calhoun**. Yes, sir. We submit a 5-year plan every year, sir. It is updated annually. We submit it through the Training and Document Command, which is our higher headquarters. It does show what we intend to do both in terms of operating census and in terms of capital improvements and minor construction paid for by funds we generate for ourselves on post.

So, yes, sir, we do that.

Senator **Glenn**. Do you have a general figure you have as to the percentage of your fees? Do you get 75 percent on the average of what the cost would be on the outside for a similar service? I know Nellis is a little bit different type operation, as you indicated, General.

Mr. DeVary, how about at Norfolk? You gave some figures here. How about the rest of them?

Mr. **DeVary**. Yes, sir. The October 1 figures, bowling in Norfolk will be about $1.50 to $1.75 per line, depending on the bowling alley.

Norfolk has a unique position in the bowling industry. All the bowling alleys in Norfolk, Portsmouth and Virginia Beach with the exception of one are owned by the same man. He establishes the price he wants to establish, and it is kind of unique.

The golf courses run $8 to $10, $8 on the weekdays, $10 on the weekends. So we are slightly lower than they are.

Senator **Glenn**. I do not want to get into Virginia politics, but how does one operator manage to freeze everybody out in that particular area?

Mr. **DeVary**. I have no idea, sir. He is a very progressive young man. I know him.

Senator **Glenn**. Very progressive, it would seem. [Laughter.]

Mr. **DeVary**. He is about 37 years old, Senator.

Senator **Glenn**. How much control do you have over your operations from above? Are you pretty much autonomous to do what you want to do in the MWR area? If you want to put in a Burger King or you want to do something on a golf course or provide a new facility, are you free to do it as long as you can figure out a budget way to do it?

Colonel **Daniell**. From my perspective, I am reasonably autonomous. There are some things I need to go back and get clearance to do. If I have a facility that I want to provide or to change, then I have the authority to do that up to a $200,000 expenditure from my NAFI funds.

Senator **Glenn**. You are on a dollar limit, not a type of service limit?

Colonel **Daniell**. That is correct, sir.

Senator **Glenn**. Are all of you on that same basis?

Mr. **DeVary**. Yes, sir.

Colonel **Calhoun**. Yes, sir.

General **Kempf**. I would also say that we gain our freedom, if you will, from higher headquarters by our ability to make a persuasive case of the economics of our proposal. It has been my experience that if you attempt to run a profitable program, one that provides a valuable service, then, just as all other things, you are able to persuade the headquarters of the righteousness of your cause and they allow you to do it.

Senator **Glenn**. But you would have to persuade headquarters. Do you need approval to do it?

General **Kempf**. With Burger King, for example, that was an Air Force program, not a base level program. If I wanted to put in a McDonald's or something, I cannot do that. I would have to go to the Air Force and convince them.

Senator **Glenn**. If you wanted to provide some facility which is not there now to help take care of some of the MWR activities, is there a dollar value over which you cannot go, or do you have——

General **Kempf**. Those are all what I would call civil engineering rules in terms of how such money and authority that local commanders are given out of the various appropriations.

Colonel **Calhoun**. Sir, for major construction over $500,000, it must be approved by Congress; not appropriated for but approved by Congress. Below that, say below $200,000, we on the installation have the approval to do with our capital purchase money, construction money, pretty well what we want, though we do submit a list with this budget plan that we talked about to our higher headquarters every year for their approval.

Senator **Glenn**. On club operations, do you still have military personnel assigned to clubs? If so, what is their disposition? What is their status?

Mr. DeVary.

Mr. **DeVary**. In Tidewater, we have no military personnel attached to our clubs.

Senator **Glenn**. OK. Colonel.

Colonel **Calhoun**. Sir, we had five military personnel and no appropriated fund civilians in our business activities before October 1. All five of the military people have been transferred out.

General **Kempf**. I still have some military personnel. Quite frankly, I would hope I could find a way to keep them. In my experience, which includes commanding three wings and an air division, and Nellis, I am much better able to persuade the military personnel of how efficient they need to be and what support they need to provide than I am a civilian employee.

Senator **Glenn**. Okay, that is running sort of counter to the trend there on what has been dictated downhill.

Do you plan to get rid of the military people in that, or are they performing a unique activity for which you really need them?

General **Kempf**. We will have no choice, but I think, as was testified to earlier, there are some considerations for rotation base for overseas support, for central feeding facilities, that sort of thing which I think still concern the Air Force.

Senator **Glenn**. Colonel.

Colonel **Daniell**. Sir, I have three military personnel in the club system, one each in the different clubs: one in the enlisted club; one in the staff club; and one in the officers club. Of those three clubs, one is involved in an essential feeding function. The other two are probably going to be removed and possibly replaced, depending on the outcome of whether or not we are allowed to retain the rotation base to provide those services to our people in wartime.

Senator **Glenn**. I appreciate all of you being here today. It has been a long hearing, and you have been very patient today.

There may be other questions from other members who were not able to attend. We are in a very busy time period here right now which we could not have foreseen when we scheduled the hearing, but this is an exceptionally busy time period.

We may have questions that we want to submit to you to flesh out certain parts of this which we have not been able to do today. I would hope you would respond promptly to those requests if we make them so that we can get those included in the record.

Let me add one thing before we shuffle around here too much. I hope there is one message that goes out of here today. I know we have some of the news people here today, and it is obvious from the lights here today that there is some interest in this.

I hope there is one message which goes out of here and goes back to the troops, and by troops I mean officer and enlisted both. I mean everybody. That is that we are not letting anybody down. We are certainly not up here to just carve things out and to do it no matter what effect it has on downhill.

The term was used here earlier, "breaking faith". I do not agree with breaking faith in any shape or form with anybody. The Congress is trying to keep faith with all the troops, officer and enlisted, in this area by ensuring that every single sailor, soldier, marine and airman gets the best and the most varied MWR facilities and opportunities that we can possibly provide.

Now, it is a joint operation with all of us, whether we are in the Congress or at the operating end, as you gentlemen are. We have to work together on these things. You have heard this morning some of our very senior military officials in each service and OSD say that they have had a lot of congressional pressure, but in some areas it has been justified. We are doing a better job because we have looked into some things.

I know it is not very pleasant sometimes to be the goad or the spur that causes that kind of action, but if we come out of this all with better service and better expenditure of taxpayer dollars and we are getting a better MWR program for all the people in the military, then that is a joint interest that we have had together and that we are pushing together.

So I hope you will just tell the troops and tell everybody out there that Congress and the senior military and civilian officials and DOD are working together on this problem and will continue to keep the interests of the troops, officer and enlisted, first in our minds, and we want to work together to that end.

Thank you all very much for being here today. The hearing will stand adjourned subject to the call of the Chair.

[Whereupon, at 12:25 p.m. the hearing adjourned, subject to the call of the Chair.]

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